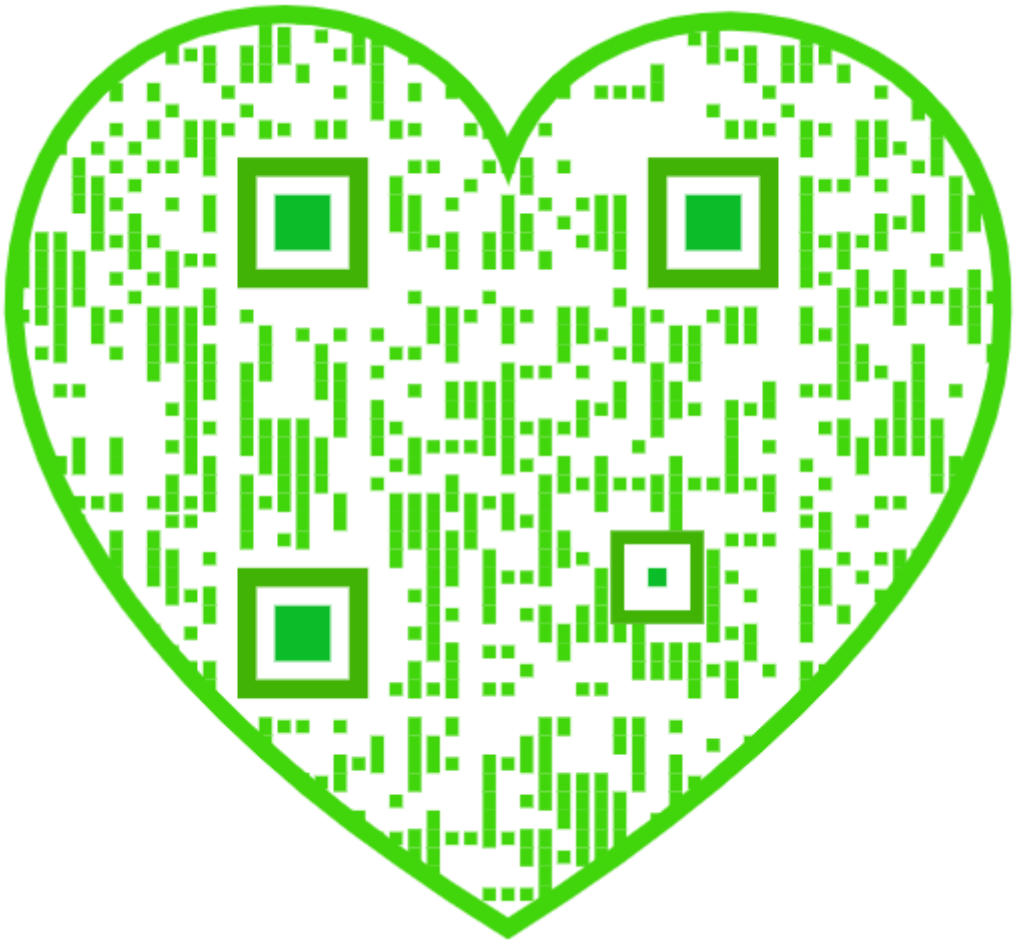

THE

METHODS AND MACHINERY

OF

PRACTICAL BANKING

BY

CLAUDIUS B. PATTEN

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"A chield's amang you taking notes,
And faith, he'll prent it."
—*Burns.*

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INTRODUCTORY.

A VALUABLE Text-Book must be written by one who is a conscientious student of the subject treated, and who has himself had practical experience of the requirements of the school where his book is to be used as a guide. He must also have the faculty of expression, the ability to make his meaning clear and easily understood. As a rule, bankers are men of affairs; they drive ahead in the path of daily work and worry, and let others write books.

MR. CLAUDIUS B. PATTEN, the author of this volume, was a born banker. He loved his profession and sought continually to formulate better and safer methods in the transaction of the banking business. He realized that a good business man is never too old or too smart to learn. The judgment of the officer or clerk who claimed to "know it all" he regarded with a just distrust. The knowledge he had himself acquired he was always willing to impart to others. Selfishness had no place in his nature, and he was opposed to taking out a patent on a new idea and putting it under lock and key in his own bank. It will be a hopeful sign when bank managers can look beyond the confines of their own counting-rooms and cultivate a spirit of fraternity and helpfulness toward others engaged in the same business. A well-managed bank to-day is a cog in the great wheel of business activity; if its management is selfish and narrow, without the appropriate adaptation to the other cogs necessary to maintain the symmetry of the wheel, it causes a grating and wearing of the spindle, and so increases its own chances of being removed for repairs.

Born in Kingston, New Hampshire, April 7, 1828, Mr. Patten was of a highly respected family. When a young man he went to Boston and readily secured employment, at once making himself noticeably useful to his employers. His manners and habits were such that he rapidly made friends, through whose influence he eventually secured the position of junior clerk in the Suffolk Bank. He remained with that institution for nearly twenty years, steadily rising to the position of Assistant Cashier. This he held until 1867, when he resigned to become Cashier of the State National Bank of Boston.

Mr. Patten was enthusiastic in regard to the business of banking and carefully educated himself in all its branches. He could take up

the work of a clerk on a moment's notice, aid him to discover an error and took pleasure in showing him how to shorten his work by improved methods of conducting it, and was constantly in touch with every department of his own bank. Though kindly appreciative of the work of clerks in subordinate positions, he was rigid in the requirement of faithful service.

It was while he was with the Suffolk Bank he conceived the idea and laid the foundation of his book, which may be fitly termed his legacy to the banking world—his METHODS AND MACHINERY OF PRACTICAL BANKING. This work is therefore the embodiment of a long-cherished plan for furnishing practical information to bankers and to the large number of young men who, as junior officers and clerks, are ambitiously struggling to fit themselves for higher positions. The author fully realized the difficulties lying in the path to promotion. His own experiences, as recited in these pages, will show how his heart went out to those in like situations, and how earnestly he desired to benefit them by his own example. Of him it can truly be said, he practised what he preached.

This volume is the beneficent outcome of over twenty years' practical experience in a banking institution ranking in financial history as one of the foundation stones of sound banking in the United States, supplemented by patient study of better methods in later years.

Outside of his bank work Mr. Patten was a close observer of affairs. In 1884 he took a much needed vacation by going abroad. In company with his young son he walked through England—the best possible way of seeing any country. He took notes by the way, and on his return wrote "England as Seen by an American Banker; Notes of a Pedestrian Tour"—a charming record of English manners and customs. The volume furnishes ample disproof of the popular belief that the only book the banker knows anything about is an account book. The dedication is in Mr. Patten's happy style; here it is:

"To the ENGLISH PEOPLE, in hall and cottage, in city or country, who so cheerfully responded to all my inquiries; and to MY TWELVE-YEAR-OLD SON, the companion of my travels, whose familiar presence made all lands home to me, this volume is cordially inscribed."

Mr. Patten was a genial, whole-souled man, one of nature's noblemen, whose unexpected and untimely demise was mourned not only by his immediate friends and acquaintances, but by the entire banking community in which he had, for a long time, played so prominent a part. The direct cause of his death was over-work. He died at Boston, May 22, 1886. The papers collected in the present work began in RHODES' JOURNAL OF BANKING in August, 1884, and were continued,

with some interruption (owing to the author's illness) until 1887. Before his last illness Mr. Patten had completed the Practical Banking series.

It is especially fortunate that MR. GEORGE B. WARREN, Mr. Patten's successor in the State National Bank of Boston, has been so kind as to collate and revise the papers for publication in book form. He was associated with the author for over twenty years, was in sympathy with his plans and understood his wishes regarding the publication of this volume.

The portrait of the author presented herein gives an imperfect idea of his personal appearance. The picture was engraved from a small photograph taken by an amateur in a remote New Hampshire village where Mr. Patten spent his summer vacation a few years ago. It is the only recent photograph of him in existence.

No work performed by the writer in a somewhat busy life has produced more hopeful anticipation than the preparation of this book for the press. It is gratefully inscribed to the memory of its gifted author, with the firm belief that it will receive a cordial welcome from bank officers and clerks of every grade, and from all others interested in banking progress.

BRADFORD RHODES.

Office of the JOURNAL OF BANKING,
January, 1891.

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*NOTE.—Chapter XXVIII comprises a series of articles written by Mr. JAMES G. CANNON, Vice-President of the Fourth National Bank, of New York, and which have already been published in RHODES' JOURNAL OF BANKING. Mr. Cannon's many years' experience and thorough familiarity with the subjects treated render his contribution a fit supplement to Mr. Patten's work.

PRACTICAL BANKING.

CHAPTER I.

THE BANK CLERK AND HIS PROFESSION.

THERE are many aspects of this matter of Banking as a profession which deserve attention in such a work as this and any proper treatment of this topic must command the consideration of all readers who are in the banking business or who have thoughts of entering it.

It is often urged as an argument against positions in banks that there are few such that afford proper scope for the natural ambition of a lively and intelligent young man.

I doubt not that this argument has been given undue weight from the very fact that many rather unintelligent and unlively young men have entered banks and, as a matter of course, remained there in a very stagnant and unprogressive way of life, learning little or nothing that was not within the direct scope of their special duties, and, as a consequence, never receiving promotion or advancement. It should be remembered that force, ability and faithfulness tell as well in banking as in the average business situations of the period, and that traits and conduct of the opposite character are as fatal there as elsewhere.

Some of the best bankers in the United States to-day are men who have passed rapidly through every minor office in banks. The names of many of them would have a familiar sound were they mentioned here, though the younger generation of bankers are living so far from the time when these prominent bank managers were serving as Messengers, Tellers, etc., that any statement that they were once on the low rounds of the bank ladder would be news to the young men.

Then we hear objections on the score of health but there are no good reasons for deeming the bank officer's position particularly unattractive on account of its unhealthfulness. He leads, to be sure, so far as his daily routine of work is concerned, rather a cramped and confined mode of life, and his position is open to the objection that it involves, at times, heavy mental strains. The bank officer also labors under the disadvantage of being at a sort of work which is extremely irregular in its character.

Every bank which is properly managed has to carry along a staff sufficiently strong to do its work promptly and well in times when its work is the largest and most pressing, for dealers cannot wait. Each day's work must be done in that day, and the right kind of extra help

cannot be summoned at a moment's warning. As a consequence there are days in active banks when its officers are overworked, and days when the hours drag heavily because there is so little to do.

This spasmodic and irregular character of bank work is a decided objection to it. Yet all these features which I have described as belonging to labor at the desk or counter of a banking institution are apt to exist in positions connected with general business. The counting-house of the merchant and the salesrooms of the dry goods jobbers and the grocers present about the same class of drawbacks.

All sorts of business have their shady and their sunny sides, and one of the relieving features of banking is found in the fact that its workers have, as a general thing, more time to themselves than clerks and business men in the other occupations I have named.

And, if bank officers will properly improve their out-of-bank hours, there are no reasons why they cannot get along comfortably enough with the share of confinement which is their daily lot. It should be evident enough to them that they should, when away from the bank, shun as far as practicable a continuance of sedentary life. They should seek out-of-door work and recreations, should avoid late hours in confined halls and rooms, should not over-read or over-study, should cultivate pleasant society, and should have innocent hobbies which divert the mind from business care and thoughts.

If such methods of using the time outside the bank can be maintained they will effectually dispose of any objection to banking as unhealthful.

Again, men often say they do not like corporation service of any sort, since in it there is little opportunity for "individual independence in conduct or self-reliant assertion." They claim that, in positions of this character, a certain routine of movement is marked out for employees, of all grades, and that there are few opportunities, and little encouragement, for independent, discretionary action. There is in all this, it is said, a narrowing and belittling of true manliness and vigor of character, which tendency constitutes the real shady side of the business.

While I have quoted this objection as applying to all corporation employment we are only interested in its bearing on clerks in banking institutions.

We must admit that in all well-regulated banks where many officers of various grades are employed there must prevail an orderly discipline and subordination.

As in military service there are Generals, Colonels and Lieutenant-Colonels, here there are Presidents, Cashiers and junior officers—Tellers, Book-keepers and Clerks of different departments. The President, if he is a working President and the responsible head of the bank, must be served as such by all officers under him—must receive from them unquestioning service where no sacrifice of principle is concerned. The

Cashier, who is the executive officer of the bank, must receive similar service from those under him.

Outside and beyond all this way of bank life lies what may be termed a higher individual life and character.

In one sense all the officers of whom I have spoken are subordinate. The President is, in a measure, subordinate to the Directors, who are in turn subordinate to the shareholders. The Cashier is subordinate to the President; the under officers subordinate to the Cashier. Yet, in the highest sense, none of these are the servants of anybody. It is perfectly possible for each and all to render unto Cæsar all that is due to Cæsar without sacrificing one iota of self-respect or surrendering any single feature of true manliness of character.

And so to live and move should be the determination—the resolution of every bank subordinate.

I may appropriately say here that it should be the constant endeavor of those officers of a bank who hold what are termed superior positions to cultivate and develop, as far as possible, the self-respect of their subordinates. A person may for a lifetime occupy a junior position upon the staff of a bank. Promotion does not come to all—under some circumstances cannot, however deserving of advancement the subordinate may be—yet, in the minor position, faithful service and manly character are entitled to just as much honor and to as full recognition as that rendered by those in more conspicuous places. I have had a long and broad experience in banking, and my observation has convinced me that there are instances almost without number where bank officers of merit and abilities fitting them for the highest positions in their profession have, through unpropitious circumstances, never gravitated out of very inconspicuous offices, while, on the other hand, many men scantily equipped for high place have been lifted, as it were, by unusually favorable circumstances into it. But the man makes the place, not the place the man. And among those who are so situated as to be able to take an inside view of these men and these places in banks of which I am writing, estimates of the real worth and standing of men are made up from what the men themselves really count for, not from the positions they happen to hold.

There are few experienced bankers who cannot recall instances where they have observed men who have for generations faithfully served in such subordinate positions as junior clerks, bank messengers, etc., who have really carried themselves better and showed more good judgment and ability than many others who have had, from high position, the nominal ordering of the goings and comings of these subordinates.

It will thus be seen that I find no reasons for discouraging the right sort of young men from entering banks. And many a bank manager will be ready to confirm the opinion that I here express, that there does not seem to be in these days in either city or country, an over-

supply of the right sort of young candidates for situations in banking institutions.

And now let us see what general qualities the bank expects to find in those who desire to come into its employ and who look for advancement as their service continues. In selecting a young man for a vacant position the bank will certainly take the best one obtainable. The best will be none too good for the work. In the matter of integrity little need be said, for everything is understood.

In buying a piece of paper or in selecting a bank clerk the bank Manager does not ask whether or not the parties are superintendents of Sunday schools, deacons of churches, or what may be their theological views—whether they belong to the primitive Methodists or liberal Unitarians. He wishes to know whether the men are honest.

Honesty is a mental trait. It runs in families. There are many young men who may do very well in life. if they are kept out of positions of trust, but who should never be given places in banks. Heredity is against them.

The man who has once defaulted, in any shape or manner, should never again be placed in charge of other people's money—especially the money belonging to widows and orphans. Help him up in any way possible, but deem it impossible for him to serve in a bank.

But in addition to integrity and general ability the bank will look also for a natural adaptiveness for this occupation.

No young man ought to think of entering upon banking as a profession who has not a real taste for the business, and capacity adapted to the work upon which he is entering. He should have a good head for figures, a good hand for general clerical work, and a taste for financial matters. A person can somehow get along in the business of clerking in a bank—in some banks—without having many of the qualifications I have named; but he cannot, under such circumstances, be otherwise than a failure as a bank officer. He fails of promotion, is a burden to other and better clerks, and there is a constant feeling that he ought to have chosen some other trade.

There is a practice, becoming more and more in vogue among our best banks, of taking in boys of from sixteen to eighteen or thereabouts, to learn the banking business—to become efficient and skilful aids in the profession by beginning on the lowest round of the ladder, at a boy's salary, and working along up by faithful and effective service. This method of supplying the staff of a bank with valuable officers is a good thing for the boys and a good thing for the banks. It is a practice which has for many years been followed in the English banks, particularly in the Bank of England, but one that has not long prevailed in this country.

The general custom here in the past was to make up the corps of officers of matured material, selected from other branches of business, and youths who were entering all other branches of business as learners,

on small salaries, were seldom given an opportunity to obtain apprentices' positions in banks.

In the Bank of England, youths of from sixteen to eighteen years of age, many of whom are the sons of clergymen, officers in the army, and of what the Londoners term "tradesmen of the better class," are received into the institution as assistants in the various departments, and as out-Tellers or Messengers, at a salary of £80 and Christmas money—a salary certainly equal to the average paid to junior clerks here. In London private banks these juniors commonly start with £60 a year.

I found the Scotch banks had a custom of receiving young men into their service on a stated system of three years' apprenticeship, under regular indentures and on a very small salary.

I have in my own practical banking done what I could by example and influence to promote this system of receiving boys just out of the higher schools into minor places in banks, and have never regretted my efforts in that direction.

The best position for a youth in a bank is that of general assistant. In such a place he can, if alert and competent, quickly learn a deal about the methods and machinery of all the departments which are moving on about him; in these departments there will be constant chances for him to acquire practical knowledge of banking by practical work. As he works along, helping here and there, as exigencies demand, he is likely to develop an aptitude for some particular phase of the work, and in due time the bank gladly promotes him into the position or department for which he has shown himself best fitted. Every junior officer of a bank may, to some extent, have the advantage which we have mentioned as attaching to the position of general assistant if he keeps on the alert and endeavors to make himself acquainted with the general run of affairs in his institution, and in a proper manner and spirit learns, as soon as possible, the ways and methods of doing the work in each of the departments which are being carried along about him. There are many reasons why this course is to be recommended. It will, in the end, prove of great advantage to the officer himself; for, by acquiring this knowledge of duties which are outside of his own department, he will be fitting himself for filling other and more important positions in his own bank, and also be preparing himself for the work of running a bank where many departments are consolidated in one, if he should happen to be called into such a position.

It has always been deemed, in some points, rather disadvantageous for a young man to enter upon banking life in a very large bank, since in such an institution, where many departments are run by many separate clerks, he is in danger of becoming but a spoke in a wheel, which is of little importance or value—unless surrounded and supported by others—which cannot go alone or stand alone. But well-informed and alert officers of the class I have named, who study into everything

in the bank about them, are of great value to the bank which employs them. Customers—depositors—appreciate such officers.

Bank dealers dislike very much to be sent wandering around from one department to another when they call to make an enquiry at their bank. If they happen, in their unacquaintance with details of banking business, to strike at first the wrong officer, it is often very agreeable to them to have their matters looked into and explained by this first man, instead of being told by him that the business does not belong to his department, and that they must go to some other desk.

EDUCATION OF BANK OFFICERS.

The action of the American Bankers' Association establishing an order of auxiliary membership of that Association, based upon terms of service and an acquirement of a thorough knowledge of practical banking, is deserving of the highest commendation, and it is to be earnestly hoped that the scheme may receive thorough support. There never was a time when a closer acquaintance with the practices and principles of banking upon the part of those engaged in it was more needed than at present, and to-day the opportunities are excellent for young men in banks or on the way to positions in banks to acquire a full knowledge of the profession of their choice. The press is constantly supplying the financial and banking student with aids to study. Many of our banks have quite extensive collections of reference books and authorities and periodicals and miscellaneous literature bearing upon the subject of practical and theoretical banking and finance; and banks which have not been in the habit of counting a bank library as a necessary part of the "furniture" of a banking institution are now beginning to buy, for the use of their employees, the best current works on banking, and to subscribe for reliable banking journals.

It ought to be said here that the American Bankers' Association has simply taken the initiative step in the subject of practical education in banking of the young men in it, which, if carried forward earnestly, will surely produce sound results. By way of co-operation with the present move of the Association for the setting up of civil service examinations and certificates of progress made, local organizations of bankers' clerks for the study of banking should be organized in all our large towns and cities. And these local institutions should have regular meetings for discussion of bank practice, set up for themselves libraries of banking books, and subscribe for such banking periodicals as will aid them in their studies.

AN UNWAVERING PROMPTNESS.

An unwavering promptness in the discharge of all his bank duties is what every competent bank Manager demands, and has a right to expect, of every man on his staff of officers. Time is, in banking, of pre-eminent value. It is more than money. Anything in the methods and machinery of banking—whether it is in the officers themselves or

in their modes of doing work—that tends to a waste of time is a steady cause of annoyance, worry and disarrangement. And a chronic tendency in an officer towards dilatoriness and slackness, no matter what may be the natural abilities of such an officer, is one of the most exasperating of things to an able and prompt Manager. I know of no single feature in the character of an honest bank officer which is likely in the end to be more fatal to his prospects of advancement, and more sure to undermine his good standing with both customers and Directors, than this tendency I have named.

The bank officer, whether he is Cashier or Messenger, or on any of the rungs between these two positions, should systematically cultivate a habit of unswerving promptness in the discharge of every class of work that stands before him in his daily routine at the bank. If there is work to be done, let the work be done first, and the newspapers read afterwards. The usual hours of bank work in this country are not burdensomely long. And these hours should be strictly given to the work of the bank. Private errands, private business of all sorts, should never be allowed to interfere in the smallest way with these morning bank hours and their special duties.

I have never believed in the setting up in banks of too many iron rules regarding the regulation of the matters to which I am here referring. Bank officers of intelligence, strong common sense, and of a conscientious type of character, will make these rules for themselves, and live up to them. Bank officers of different make-up are out of place in a bank; and, in well-managed banks, are apt to make an early discovery of that fact.

Bank hours, in this country, are generally from 9 to 2 or 3 o'clock. Nine is not a severely early hour. The clerks should be on hand at that time. And they should leave the bank as soon after the regular closing hours as they can without leaving any work behind them that demands immediate attention.

The after-work hours, if properly used, may be of great value in many points, as I have elsewhere shown, and the more of them they can consistently get the better.

I was struck by the sagacity of a remark made not long since by a distinguished banker, who was a great worker, that nothing gave him more satisfaction than to see his officers put their work through promptly and get away early.

Here are some of the ways in which, in a most significant manner, bank officers show a remissness, where those officers are of the type which, to use seamens' language, may be termed the slow-going-about class :

They are apt to fail in coming home promptly after the time allotted to them for vacations has elapsed, allowing the most trifling causes to interfere with their return at maturity. Little illnesses, and sometimes what are really only imaginary indispositions, are apt to dispose them

to remain away from the bank. And, for trifling reasons, they are apt to ask for occasional absences for a day or so—absences for the purpose of attending to matters which the alert and prompt bank clerk would not deem important enough to call him away.

And, as I have before said, the bank officer who is chronically deficient in general promptness may be depended upon to disappoint the Manager by not being regularly on hand at the right hour in the morning. To remedy this trouble, the Bank of England has an arrangement which might perhaps be introduced with good results in some banking quarters this side of the water. It has what is termed "The Attendance Book." This book lies open, every morning, upon a desk which every officer of the old bank must pass as he comes each day to his work; and, as he marches past it, he writes his name in it. At 9 o'clock a black line is drawn across the page below the signatures of the prompt men, who have already passed in, and all who come along late must put their slow signatures under this black mark of reproof.

If an officer is three times late in the Bank of England, he is summoned before its Directors and reprimanded. If again, after this formal reprimand, he fails in promptness, and can furnish no reasonable excuses, he is invited to resign.

Such rules as this are, of course, more likely to be needed in an institution having a vast number of employees, like the Bank of England, than they are in banks of more moderate size. And they are also more in harmony with the general style of administering affairs on the other side of the water than they would be with ways here.

I found the head clerks and accountants of the old Bank of England, in a late visit made there, very courteous and prompt, and they impressed me as being able and skillful men; but the general rank and file there have the reputation of being machine-like men, who are behind the times in their ways and methods.

In the matter of promptness, as in many other matters, the force of example is a great power in a bank. If the higher officers of a bank are slow, dilatory, and generally slack in their administration, the lower down men on the staff are, of course, quite liable to be somewhat demoralized.

The bank which is so unfortunate as not to have, as its chief executive—as its Cashier—an alert and prompt man, is, in time, quite liable to find its entire staff falling into habits of remissness and sluggishness.

The setting up of the Clearing-House system in our cities has had, I think, the effect to make the bank officers of those places perhaps a little more systematic in the matter of morning promptness of attendance than they might otherwise have been. Many of our city banks nominally open at 10 o'clock in winter and 9 o'clock in summer; but, in cities where the morning clearing is 10 o'clock sharp, there is a pretty complete abrogation of the 10 o'clock opening. Winter and summer,

where clearing is 10 o'clock, officers of active banks—head officers not excepted—are generally found on hand at 9.

An illustration of individual influence in the matter of promptness is shown in the following little incident :

The minister said he had become tired of starting his Sunday services at a quarter of eleven o'clock, when they were announced to begin at half-past ten o'clock—tired of seeing his congregation come late. He therefore announced that he was determined on a reform in this matter, and would, on the next Sabbath, and on all coming Sabbaths, commence services at half-past ten o'clock if there was not a person in the house. I liked his idea, and so presented myself at his meeting the next Sunday at half-past ten o'clock. Two or three of us were there; but the minister was five minutes behind time then, and the same on the succeeding Sunday. Promptness at once died out there, for it was not practised by the head man.

When bank officers are unexpectedly detained at home for sufficient reasons, they should always send prompt word of the detention to the bank, so that their work may be at once taken in hand, and there be no waiting and enquiry for them. If on the home-stretch from a vacation they meet with blocks in their way, and are detained over time, they should use special pains to get word of their lock-out to the bank. Proper care about these little points, which one would think there was little need of urging upon intelligent bank officers, is really sometimes neglected by them; and neglect in these matters is often a cause of no little inconvenience to the bank.

FAITHFULNESS IN WORK.

There are bank officers who would never dream of directly defrauding the bank for which they labor and who are scrupulously honest in all their monetary connections with their institutions, but who are nevertheless wanting in the spirit of integrity in the discharge of the routine duties of their positions. They go through their duties in a somewhat mechanical manner, taking little real interest in the welfare of their bank, and slighting and shirking their work whenever opportunity offers. Such are simple eye servants, whose only object seems to be to do as little as possible, and to manage to get through the labors of their department in such a manner as to enable them to keep their position and a respectable reputation and draw their salary. There is a word in very common use among English mechanics applied to work that has been shabbily done. It is said in such cases that the job has been "scamped." There is "scamping" in bank work. The workers of the scamping class are sure to be careless in the use of the property of the bank. They waste the stationery and other properties of the institution that are used in their departments. They waste time, which is the property of the bank, by insufficient attention to the duties of their position, and are apt to be out of the bank and on private errands during its regular business hours. The worst and most unmanly

feature of all this misdoing is that it is done in a hidden manner. As we have said, the class of which we write make a study to be proficient in the art of eye service.

GOOD NATURE.

The bank officer while at his post of duty is, of course, expected to maintain the most imperturbable good nature. The dealing public, which is brought in contact with him, whatever may be its own shortcomings in the matter of grace and temper, does not expect to tolerate the slightest departure from perfect equanimity on the part of their servants the bank officials. The first lessons to be learned by the bank officers are to bear and forbear, to be very patient, and to be perfectly unresenting.

I have been speaking of the temper and carriage of the banker at his business. But he has another life that should be brought into view, and over which the requirements we have just described might also extend. The mind-wearing and nerve-wearying routine of labor through which he daily passes is apt to leave him in an irritable and nervous condition—a condition tending to disqualify him for the proper discharge of his social and domestic duties. But he makes a great mistake in self-management if he gives way to these dangerous influences of his harrassing occupation and allows himself to sink into a condition of chronic irritability, or that of morbid aversion to social pleasures or the natural stirs and excitements of domestic life.

It is well for the bank officer to have a family about him. The cares of providing for and generally looking after all the material, social and educational wants of a household should be viewed by him as a blessing in disguise. The presence of the head of the family should be like sunshine in the house, and he should there voluntarily school himself to the exercise of that patience, good nature and forbearance which is, as one might say, forced upon him when in the outside world and at his place in the bank. The children who cluster about him should be looked upon as customers, who deserve the most tender and persistent attention. They are hostages which he has given to fortune, and their presence may be made to serve as a guard and inspiration to his whole course of business life.

The man who can look upon the innocent faces of his little ones, who are clinging about him and believe in him, and who are proud of him, and then go out into the world and deliberately violate a trust, and thus bring lasting disgrace upon those whom it was his duty to honor and protect, must be lost to all true sense of manhood.

FINALLY.

I think it follows that a person can be a bank officer and be a good deal of a man; a person can also be a bank officer and amount to very little—either in the bank or out of it.

I doubt not that it will be urged that I have, to use an agreeable piece of slang, drawn a very large order in this discussion of the quali-

fications of a bank officer. But it is better to do thus, and then try the best we can to fill it—to raise the standard high, and try to reach it.

And I must add that the majority of the bank officers I have known come well up to the standard I have presented. Of many a President, Cashier, etc., whom I have observed and known might well be said, in the quaint, but expressive words which I have seen quoted as used by a Continental man trying to speak English : "Never was better man in the right place as this man was."

CHAPTER II.

THE PAYING-TELLER AND HIS CASH.

One of the most important offices in a bank is that of Paying-Teller. The Paying-Teller's duties are clearly indicated by his title. He is the disbursing officer of his institution—he pays out all its moneys. He keeps in hand the cash of the bank and meets all cash demands upon it. In a proper sense, he is the Cashier of the bank. Many outsiders so term him; and, though entitled Teller in this country, he is in London termed the Paying-Cashier, while the Receiving-Teller is there denominated the Receiving-Cashier.

The position of Paying-Teller requires a man of good abilities; and the men who are to-day holding that position, particularly in our large banks in our Clearing-House cities, are, as a class, strong, skillful and irreproachable men.

I can see how some positions in a bank can be "filled" by men of only moderate skill in ciphering, counting and writing; I cannot imagine how any man who is not well-nigh an expert in all these things, and also of excellent judgment, and good address, patience and unwavering good nature, can make a successful Paying-Teller in a great city bank.

This official generally climbs into his honorable position up the ladder of civil service, and there is no other path to the place, as to do the work of a Paying-Teller requires long apprenticeship in banking.

In the cities these officials are generally paid salaries next highest to that of Cashier; and the salary in this instance is a correct indication of the rank in the promotion line.

His bonds are in amount only second to those of the Cashier; and in the handling of the cash of his bank he is held responsible for its correctness. But, though nominally held responsible for every dollar, and for every error he may make, this full responsibility is not in all cases and under all circumstances fully enforced.

This point of bank officers' responsibilities, and also the general subject of bond giving and bond enforcing, I fully discuss elsewhere.

Here I give the form of the Paying-Teller's only book—a form which is an excellent specimen, with the breath of life in it, for it is an actual exhibit of an actual day's work of a good-sized and well-managed bank. See Form 1 on opposite page.

Every Paying-Teller is continually having brought before him from the nature of his work questions which require for their right decision

Friday, June 9, 1890

Dr	SECOND TELLER		Cr.	Dr.	CASHIER	Cr.
Balance,	99.727 45	Cl. Ha Checks,	147.839 13		Bal forward,	390 983 75
Check,		Bills,	2.292		Cus. a/c	3 000
" NY	25.000	"	2.700			
" "	20.000	"	2.750		Interest	28 15
" City	15.000	"				
" NY	10.000	Gold.	600	4 45	Exchange	10
"		"	550			
		"		9	Expense	
		Silver,				
		Exchge,	4 45			
		Depositors' Cks	3.746 16			
		Bank Charges,	3.715 28	49 145 83	Discounts,	25 760 02
		"				
		NY Banks,	41.072 85	293 700 91	Checks,	
		"	53.514 16			
		Discounts.	49.145 83		Deposits,	290 656 30
			307 929 86			
Deposits,	290.656 30	Balance.	152.453 87	367 568 13	Balance,	
	460.383 73		460.383 73	710 428 32		710 428 32

DEPOSITORS' CHECKS		DR. DISCOUNTS CR.		DETAILS OF CASH		
Clearing Ha Cks	149.478 17	49.145 83	5.000		Gold.	74 578
	5.000		15.000	45 000	Certificates	
	300		200		"	
	353 50	Foreign	220 07	29 578	Coin.	
	110	"	339 95		"	
	200	"	5.000			
	25	"	25 760 02			
	100					
	38 12				Silver,	53 916 80
	5.000			52 000	Certificates,	
	19 87				"	
	500			1 700	Coin,	
	40			21 205	"	
	7 76			4 75	Rec'g Teller,	
	189 40					
	100	DR. CLEARING HOUSE CR.				
	11.500				Frac Cy & minor coins,	7 21
	172.961 82	147.839 13			Rec'g Teller,	
Rec'g Teller	3.746 16	26.619 66	Lost.		Legal Tender,	56 477
					U.S. Certs,	
	176.707 98	174.458 79		7 000	Bills,	
				4 400	"	
				45 077	"	
					"	
BANK CHECKS						
[illegible]					1st Nat Bk Bills,	4 060
[illegible]				12 505	Other N. Bills,	28 928
[illegible]		Bills,	8.000	6 656	"	
[illegible]		"	4000	3 019	"	
[illegible]	For'n Disc'	"		3 900	"	
[illegible]		Bank Checks,	12.980 62	2 848	Rec'g Teller,	
[illegible]						
[illegible]					Checks, &c.,	149 601 12
[illegible]	A. Teller				"	
[illegible]		Depos'rs' Ck'ks,	149.478 17	149 483 06	Clear'g House,	
[illegible]				118 06	Rec'g Teller,	
	116.992 95					
	293.700 91		174.458 79			367 568 13

Form 1.

good judgment, backed by experience. Let us look at some of the problems likely to come before a Paying-Teller at any moment.

RECEIPTING FOR THE PAYMENT OF CHECKS.

The gentleman presented to the bank for payment a good check upon it for $1,050. The check had been drawn payable to the order of a party who had duly indorsed it in blank and passed it over to the present identified holder who was endeavoring to collect it. The Paying-Teller asked this holder to put his name upon the back of the check. This he refused to do, saying it was not payable to his order, that he had no interest in it except to collect it, and that the paying bank had no right to demand from him a receipt for the money since it would have a full and complete voucher in its hands when it took up the check. The point here raised is of long standing and one that has always been difficult to settle. Unquestionably the bank had no legal right to compel the collector of the check to give an acquittance since his surrender to it of the perfect voucher was enough.

But the signature of a so-placed check collector is a very desirable thing for a bank to have for corroboration and reference should anything wrong about a paid check afterwards turn up, and it is desirable for all Paying-Tellers to procure this collecting name whenever possible. Few reasonable check collectors will, under the circumstances described, be found disposed to refuse to furnish it. And where checks are drawn payable, for instance, to "J. Smith, or order," to "order of J. Smith," and are presented by J. Smith. the bank would also do well to secure J. Smith's indorsement.

Even when checks are drawn payable "to bearer" many banks make a practice of requiring the indorsement of the collector if presented at the counter by a party not the signer. This is a good method, because it gives the bank a name for reference in case there should be trouble about the check in the future.

PAYING PART OF A CHECK.

A man came to the bank with a check upon it for $900, drawn by a depositor in his favor in payment of a bill. The Paying-Teller declined to pay it, finding only $700 to the credit of the drawer. The holder, who had good reasons for being anxious about his claim upon the drawer of the check, having heard that he was in a failing condition, resorted to an ingenious method. He deposited $200 with the Receiving-Teller to the credit of the drawer of the check, and then, returning to the Paying-Teller, presented again his $900 check, and was paid its full amount. He had by this shrewd move received only $700 for a demand of $900, but this in the end proved a very heavy dividend compared with what other creditors received from the suspending debtor.

There are interesting questions naturally raised in recalling a case of this description. Can a bank be forced to pay part of a check? In the instance given could the holder of the $900 check compel the bank

to pass over the $700 standing to the credit of the check drawer upon giving the bank the $900 check? It is a curious fact that there are upon record no legal decisions covering this point. Without doubt any bank paying a part as described and receiving the voucher for the whole check would be doing a safe and justifiable thing. It is a perfectly regular and legitimate method for a bank to accept a deposit and pay a short check. There is nothing out of the way either in the movement of the check-holder or the bank. The one had a perfect right to give away his $200 and the other to receive the deposit of the $200 and pay the $900 check when it was made good.

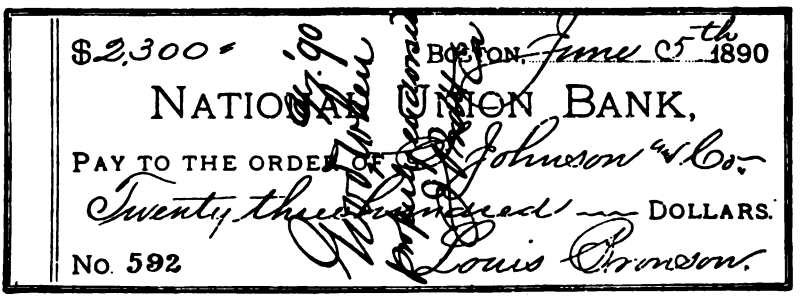
A SMALL CERTIFICATION.

The man kept a rather small account with the bank. He asked the Paying-Teller to certify the check he was presenting, which check was for only fifteen dollars. The Teller hesitated about certifying a check for so small an amount, and told the holder of it that he would prefer to cash it upon the spot. The depositor objected most decidedly to this latter method of settlement, peremptorily demanded a certification of it, and made an appeal to the Cashier about the matter. This dispute and its settlement involved one or two interesting points which were correctly laid down and settled by the Cashier in his management of the demand of this pressing depositor. There is no question but that a power to certify checks drawn upon a National bank does, by the provisions of the bank Act, inhere in the office of a Cashier. But the Supreme Court of the United States has ruled that the Directors of a National bank can, by formal vote and general notice thereof, prohibit a Cashier from exercising the power of certification. This very many of the National banks, particularly in Boston, have done, being led to do so by the fact that very disagreeable complications have arisen out of the exercise of such Cashier-power in some notable cases—the Boston Mellen-Ward State Bank fraud being one of the most famous. But, as we have said, in the absence of prohibition and due notice, the Cashier of a National bank can certify upon actual deposits, but not in excess of them. At the same time it must be borne in mind that no check presentor can COMPEL a certifying bank to certify. The bank can elect to pay, in lawful money only, if the depositor refuses any other, and, in case of the presentation of little checks, as in the instance we are quoting, it is certainly wise banking to cash the checks rather than to set them afloat in a certified shape.

"GOOD, WHEN PROPERLY INDORSED."

Checks upon banks are often presented to them for payment when in want of some indorsement, or bearing upon their backs some fatal irregularity of indorsement which precludes the bank from making payment. We have now in mind such cases as can not be helped along to a settlement by any sort of a guarantee of indorsements, or want of indorsements, which can be tendered by the collector—the presentor—of

the lame check. In such instances there is nothing for the presenting bank to do—supposing, for illustration, that the check is in the hands of some collecting bank—but to return the unpaid check to the correspondent from whom it has been sent, with a request that the missing indorsement be supplied or the faulty one strongly guaranteed, just as the case may happen to demand. But the check, which is to take a journey back to its senders, may have to travel far. It is a perfectly good check now; but when it returns for a re-presentation it may be the check of an insolvent. Here the banker sees a risk—a responsibility—cropping out. How shall he avoid it? Simply by asking the bank upon which the check is drawn, and which concedes that it is a good check now, to set aside the funds for which it calls, till it comes around again in shapely form. And this setting aside of the money should be done in the regular way by certification of the check. When a check is certified it is, of course, charged to its drawer, and no other wandering check can step in between this one which has been presented and certified and returned on account of informalities on its back. A form of certification specially fitted to the circumstances should be used, and no bank has a right to refuse to certify checks in this way under the circumstances we have described. Here is a good form for a certification of the class we have suggested:



Form 2.

COUNT YOUR MONEY.

Whenever Receiving or Paying-Tellers take in money on deposit, or in payment of paper held for collection by the bank, they intend to count the same at once—count it before the parties with whom they are dealing have left their presence. And when dealers with a bank receive from its Tellers, in the way of check payments or returns of change, cash of any sort, they are also expected to count their money before they carry it away.

But these very good rules have their enforced exceptions. A note-payer may bring to the counter of a bank a stack of small bills, amounting to $50,000, when small bills are heavy in the market, and tender the same in payment of his matured note which the bank has asked him to call and pay. The National Bank Act says that "every

National bank shall take and receive at par for any debt or liability to it any and all notes or bills issued by any lawfully organized National banking association."

The point has sometimes been made that the payment of a note simply held for collection by a National bank is not a payment of a debt to it, but, without doubt, this is a strained point.

Be that as it may, National banks are often tendered huge piles of small bills for debts, like notes discounted, which no one can term other than debts due to them. How shall they manage such cases as these in the matter of counting? There seems to be no other course than this. Endeavor to get the payer to leave his money and the note he has called to pay till the bank has had time to count his bulky bills. When the bills have been counted, and found correct, send the payer his cancelled note. Or, if the payer is a reasonable and perfectly responsible party, secure from him his guarantee that the bills are all right, and his consent that the bank shall take its time to count them, and then give him his note on the spot.

There is another point in connection with this matter of handling large amounts of small bills which is interesting and important—a point similar to the one just discussed, though it covers transactions the reverse of those named. Banks are often called on to provide heavy pay-roll supplies of small bills—supplies which are sometimes suddenly called for and which must be filled at all hazards.

Mill labor is a most sensitive article. It has to be handled with a deal of care and the best of judgment. A manufacturing company may have credit hardly second to the Bank of England, yet all this might go for nothing in the eyes of a crowd of operatives who, through the failure of the company's bank to send to the mill a supply of currency, were not promptly paid off at the due time. The imperativeness of these mill-calls for small bills, taken in connection with the fact that, at some periods, they are so difficult to be got at, and that a long notice ahead will barely get them in at the last moment, leads banks to take them on from other sources—particularly from other banks—when there is no time to count them before paying them out to the mill paymasters. This method of procedure may not be called good banking, yet it sometimes appears to be a necessity, and banks which are thus driven into a corner in the matter accept the risk as a legitimate one.

It is, of course, decidedly better that a bank should never receive and pay to the third party bills which it has not counted, but as we have explained, such action may sometimes be defensible.

The mill paymasters are expected to count bills so received at once and to return straps where variations are discovered—straps which may enable the bank to trace the errors back to the right sources.

IDENTIFICATION AND IDENTIFIERS.

Our banks make it a rule not to cash checks that are drawn payable to order, unless the party presenting them is known at the bank—is

squarely identified as being the right person. Many of our banks even go further than this in this matter of identification, and take the position that they will require identification where the checks presented are drawn payable to bearer. If the first-named practice is one resting on justifiable caution, the second rule must be described as caution without justice; for a bank cannot rightfully ask for the identification of the holders of these bearer checks, since their drawers waived that demand when they filled them up in this way. But, be this as it may, banks certainly should be reasonable in this matter of requiring identifications — be ready and willing to waive the rules under certain circumstances, and assume, as a part of the legitimate risks of their business, the very slight risks which good judgment will incur, in now and then paying a check for $25 or so to some well-appearing man or woman who is so unfortunate as not to be able to respond promptly in the affirmative when the Tellers fire off the stereotyped salute of "Do you know anybody in this bank, or do you know anybody outside of this bank who is known in this bank?"

If banks are not employing Tellers who have sufficient judgment—gumption—to be intrusted with a little latitude and discretion in this identification rule, they should always have some President or Cashier within prompt and easy reach who has the courage and judgment to cut the red tape at the proper time.

Every one knows that it is sometimes just impossible for some check-holders — strangers in strange cities, for instance — to procure identifications; and every one has heard of the amusing, as well as aggravating, incidents that have happened in banks in connection with this identification controversy with honest check-holders.

In visits to, and talks with, London bankers on this point, they have expressed to me great surprise that banks in the States kept up this identification practice, and said they did not see how our banks in New York, Boston, etc., could ever get through a day's business under such a rule.

Long ago the business men and bankers of England became convinced that certainly London's banks could never get through days' works unless identification was abolished; and Parliament was besieged, and besieged successfully, for a law authorizing English banks to pay all checks apparently properly indorsed to parties presenting them without identification. I have stood by the side of the paying Cashier of the Bank of England and seen him steadily rattle out his money under this law to all who came with checks.

Even when the bank is following good methods in this matter it may find its care unavailing, for banks have been defrauded by swindlers who have ingeniously and deliberately worked themselves into an acquaintance with them in something after this style:

He was a notorious scoundrel. He came to the city as a stranger and introduced himself to a large dealer in shares and bonds as, say,

Mr. Robert Jones, from the interior, who wished to make some investments in bonds, etc. After some little talk, he bought a few hundred dollars' worth of securities, and paid the cash for them. A day or two after he made another small purchase of the same house, again paying cash. Subsequently he called and said to the dealer he had concluded to sell a part of the securities he had first bought of him. The dealer bought them of him, giving him his check upon his bank. "Investor" Jones presented the check at the bank. Was told he would have to procure an identification. He said he should be happy to do so, and, going out, he soon returned with the dealer we have alluded to, who said: "All right; this is Mr. Robert Jones, a customer of ours." Having, in this quiet way, established an acquaintance with the bank —been fully identified and introduced there, by a highly respected dealer—he had little difficulty in collecting there a few days after a genuine check which he had carefully raised to ten times its original amount—after which Mr. Jones left the city and was seen there no more.

In view of the carelessness with which some business men will act in this matter of furnishing identifications, and of the losses which have come upon many banks, under my personal observation, from action under those "cooked up" identifications, etc., such as I have described, I now fully sympathize with the sentiments expressed by the bothered Paying-Tellers relative to this matter. "When a man comes to my desk now," says the Paying-Teller of the period, "saying he knows the stranger who is standing without, waiting for his money on a check, I feel like asking him, 'How much do you know him?'"

There is a somewhat novel view of the identification question that has sometimes been taken by rather pugnacious, but honest, check collectors, which is of this sort:

They say that when they present a check to a bank, which is payable to their order, and which they order the Paying-Teller to pay, the Teller has no legal right to assume that the presenter is not the right man—not the man he represents himself to be—and that the Paying-Teller ought at once to pay him the money, or prove he is not the man he pretends to be.

I have many times heard check presenters say to the Teller, "If you want any identification, go and hunt it up; I am not going to do so; but I want my money." The great drawback to the force of this logic is found in the fact that the bank has possession—and possession is equal to much law.

It is an excellent idea for Paying-Tellers to require identified collectors of indorsed checks, which are not payable to their order, to put their names upon the backs—in effect to receipt for the cash. This recommendation will also apply to holders of "bearer" checks in cases where it has been thought wise to demand identification of such a holder. Another record that is not only proper but important

is a careful memorandum upon the paid check of the name and address of the person who in that particular case identified the payee.

This brings up naturally the questions of how much responsibility an identifier takes upon himself in this volunteer service, and to what extent the bank can have recourse to him in case any trouble results from the payment which he helped along.

These are questions of curious interest. They come up often in business and banking circles, and are easier raised than answered.

As an illustration, I will mention a case of payment to a stranger who presented a check upon the Blank National Bank, purporting to be payable to his own order. The stranger payee was asked to procure an identification. The check was for a thousand dollars, and was made payable to the order of, say, John Smith. Some one known to the bank was brought forward, who said he knew the person presenting the check to be of the name to which it was made payable. The check was cashed. No record of the identification of the character which I have suggested was made. The check turned out to have been paid to the wrong man—to a forger—who had stolen it. The Teller knew he had in this case followed his invariable rule, and been furnished at the time of the transaction with a satisfactory identification; but he could not, for the life of him, ever recall the name of the identifier. The matter ended in mystery. The bank lost the money. Whatever responsibility attached to that lost identifier never overtook him.

But I ought to add, that making the recommended record of the testimony of an identifier is not always sure to be of any material assistance in cases of fraud and loss. The Paying-Teller of the First National Bank of ——— cashed for an identified stranger a check, purporting to be payable to his order. At the end of the month, when accounts were compared, it was revealed that the stranger was a swindler, who had stolen the check and forged an indorsement. When the Paying-Teller came to re-examine the check, he found that he had marked on it, at the time he paid it, the name of his Receiving-Teller as the identifier. This Receiving-Teller could not recall any of the facts connected with this identification. He said he supposed he identified the man, but could not remember anything about it. Nothing more could be said or done; the bank pocketed the loss.

But this identifying responsibility is, after all, a very slight—a very intangible thing; and, for that very reason, identifiers should, out of regard for the banks, honest dealing, etc., be exceedingly careful in their movements in this identification business.

If I identify a check-collecting man at a bank, I simply testify that he bears the name—that I know he bears the name, which is the name to which the check is made payable. I don't even assert that he is the right man; for there may be, somewhere, another man of the same name, who is the right payee, and this man, whom I am identifying, may, by error or fraud, have obtained possession of the paper. I do

not vouch for his honesty, for his financial responsibility, or for anything, except that I well know his name to be so and so. Of course, I should never intend to identify him at my bank, unless I supposed he was all right in all respects. But I am discussing the purely legal aspects of this identification business; and the conclusions which I reach are in accordance with decisions which have been made time and time again, and in accordance with common law and common sense.

And unless it can be shown that I have been in collusion with a fraud, aided by my identification—that I have not been entirely honest and innocent in my part of the business—I can not be held at all responsible in the premises.

I have been kindly furnished, by a Massachusetts bank Cashier, with the story of this interesting case—a case where a bank, through no fault of its own, lost $250, by cashing a check for the wrong man who happened to bear the right name.

His name was Nolan—John Nolan. In the directory of the city of this incident there were many John Nolans—twenty or so. The letter carrier delivered to this bad John Nolan a letter addressed John Nolan, containing a check for $250, payable to order of John Nolan. This John Nolan, the fraud, took the check to a bank where he was known as John Nolan, indorsed it, and raised the money on it. In time the right John Nolan turned up, proved that the other John Nolan had stolen his check, and forged his indorsement, and demanded and obtained the $250 from the victimized bank. The Cashier of this bank, who is a very careful man, had exercised extreme care in this check-cashing transaction. He had reason to believe that the thieving John Nolan was likely to receive a $250 check, knew his name and person well, and, when he cashed the check, asked him particularly if he was the right John—the John named in face of the check—carefully cross-examined him on this point. So, as in duty and conscience bound, the bank assumed the loss, and attached no blame to their Cashier—assumed the loss as the result of one of the inevitable risks of doing a bank business. The forger had, of course, taken himself off into some non-extraditing country.

There is a simple point of importance and interest that must here come to the mind of any experienced banker. It is this: Ought not the drawer of a check to the order of, say John Smith, of New York, or Boston, to define in his order which John Smith is the John Smith to whom he is ordering a payment? And, may not the omission so to do, under some circumstances, throw upon a drawer some responsibility in case such a check is mailed into the hands of a real, but dishonest, John Smith, who steals it and forges on it?

PAYING UNINDORSED CHECKS WITH CERTIFICATES OF DEPOSIT.

A very heavy customer of the bank, whose current daily balance was large and who seldom asked for accommodation of any kind, presented in person his perfectly good check upon the bank for one

hundred thousand dollars. The check was drawn to the order of an individual who had not indorsed it. The drawer asked that the check be certified, without qualification, in its then unindorsed condition. The bank would have been perfectly willing to do this if it had not been for the fact that its Directors had voted to prohibit the Cashier from ever certifying checks. If it had certified this unindorsed check it would have used the certification form of "Good when properly indorsed." The customer was annoyed on account of the Cashier's enforced refusal to certify, because he wished, in paying the check to its payee, to secure upon it his indorsement as a receipt, a voucher, in a transaction he was making, and this payee had refused to take the check in settlement without a certification of it by the bank upon which it was drawn. The signer of the check now asked that a certificate of deposit, drawn in favor of the payee of the check, be issued upon the check in its still unindorsed condition, since the signer of the check could not, under the circumstances, secure the payee's indorsement. This request the bank very correctly declined to grant.

This little banking incident brings up two important details, whether a bank should give an unqualified certification of an unindorsed check and the question of the propriety and safety of the practice of paying an unindorsed check by issuing therefor a certificate of deposit drawn in favor of the payee. Without doubt the experienced banker who gives careful thought to these points will agree in the opinion that it would not have been good banking to accede to either of the requests made by the depositor in the case above described.

CHECKS PRESENTED AFTER DEATH OF THE DRAWER.

There are many questions raised in practical banking relative to the rights and duties, both of banks and their dealers, under certain circumstances and situations which have to be settled on their individual bearings, as they from time to time come up and, in some cases we have in mind, bankers and business men appear forced to move without the aid of legal decisions, customs or statutes.

For illustration, the law declares in most States that a bank shall stop the payment of a check whose signer has died before its presentation. In the busy whirl of every-day banking, in large places, our Tellers, who have about as much as they can do to attend to the pressing demands of the living, as they swarm in upon them with their demands and their deposits, cannot possibly keep the run of all the deaths that are currently taking place among their check drawers. They incidentally hear promptly of some of them ; others may not come to their ears for a long time. So it happens that banks are every day paying checks of men who are dead. It seems impossible for them to establish any system by which this sort of payments shall be avoided. Whatever may be the law, equity will, without doubt, save them from any damages in cases of this description, should such seem to threaten.

Since the customs relative to the treatment of checks vary so

widely, and in view of the fact that the law gives out an uncertain sound, we are glad to find that the Massachusetts Legislature has taken the subject in hand and given us firm ground in that State upon which to stand.

The following bill passed the Massachusetts Legislature by a unanimous vote in 1885, and it is to be hoped that the Legislatures of other States will take similar action.

AN ACT TO AUTHORIZE THE PAYMENT OF CHECKS, DEMAND DRAFTS AND SAVINGS BANK ORDERS, IN CASE OF THE DEATH OF THE DRAWER BEFORE PAYMENT.

Be it enacted, etc.:

SECTION 1. Any depositary, subject to withdrawal by check or demand draft, may pay any check or demand draft drawn by any person who has funds on deposit to meet the same, notwithstanding the death of such drawer in the interval of time between drawing such check or demand draft and its presentation for payment, when such presentation shall be made within ten days after the date of such check or demand draft.

SECTION 2. Savings banks and institutions for savings are hereby authorized and empowered to pay any savings bank order, drawn by any person who has funds on deposit to meet the same, notwithstanding the death of such drawer in the interval of time between signing such savings bank order and its presentation for payment, when said presentation shall be made within thirty days after the date of such savings bank order, and at any subsequent period, provided the depositary has not received actual notice of the death of the drawer.

When the steamer City of Columbus went down on the Massachusetts coast many very prominent Boston business men lost their lives. Among them was the Hon. E. S. Rand, of Boston, who was a conveyancer of extensive practice and a manager of many trust estates.

The embarassments that were entailed upon the holders of his outstanding checks were the proximate cause of this legislative action which I have described.

HE FOUND IT OUTSIDE THE COUNTER.

There are many curious incidents happening in connection with banking that might properly be gathered under the newspaper heading of "Lost and Found." I remember a case where the Paying-Teller of a bank was told by a customer, to whom he was paying the cash for a check of $500, that he had passed him out only $450. The bills laid upon the Teller's counter—had not been removed from thence by the customer. So he passed them back to the Paying-Teller, saying: "There they are; count them for yourself." The Teller counted, found the money $50 short, and passed out another $50 bill. Soon after another customer came to this counter. Looking down, he saw, upon the floor, standing upon its edge against the partition, a $50 bill, which he picked up and passed to the Teller, simply remarking: "You seem to be very careless with your money here." The bill had been lost on its short trip from the Teller to the last check collector.

This little incident brings forcibly before us the question of ownership of valuables—money—found within a bank, yet outside of its counters, by persons who happen to be calling at the bank.

The premises of a bank, outside of its counters, is a public place. "Finding" there is the same thing as finding on the highway. The

person who picks up money there should, of course, report at once to the bank. There is every chance that it belongs either to the bank or some of its customers, who will miss it, and be coming to the bank in search of it. If in the end the bank can show no claim to it, and no other owner appears for it, it reverts to the finder, who has all the claim to it that State laws will allow him.

The statutes of the various States governing "finds" vary much. They generally provide for action under such circumstances somewhat of this character: The person who finds property of value above a certain sum—say $5—must make the most strenuous endeavors to find the owner by advertising and registering. If, after a long time, no owner is found the money astray goes to the finder and State in equal proportions.

BOTH SIDES OF THE GRATING.

Of a kindred nature to our last case and yet with a vital difference is the incident of which I find the following mention in a London paper:

He said, being in the witness-box when he made this statement, that he was a London barrister. He received a notice from the London & County Bank that a bill for £43 10s., of which he was the acceptor, would fall due on the following Saturday, and he was requested to come down to that bank between 2 and 3 o'clock P. M., on the Saturday named and pay it. He took his money to the bank on the day and hour named, together with the notice that had been sent him, and, according to his own positive swearing, passed the whole through the Teller's opening in the bronze railing and demanded his voucher. A stranger standing by put out his hand, stole the money and decamped.

The Teller of the London & County Bank swore out of the witness-box that he saw nothing of the money, that it could not have been pushed through the opening, and that, if it was brought to the counter at all, it must have been laid down outside of his railing.

The whole question seemed to turn on the point of whether the bank really ever had possession of the money or not. The weight of the testimony seemed to support the idea that the money did not get into the hands of the bank—that it was in the custody of the barrister when it was lost, and a verdict was rendered accordingly.

I relate this because incidents in practical banking repeat themselves, and we cannot too often warn Tellers and dealers against repetitions of such rascality. I add also a couple of such cases of which I have personally known, and call attention to the fact that the accomplished clerk on the inside of the grating appears to have been the careless man in these cases, from which we judge that neither party can be too particular in manipulating cash passing between them.

Bank Directors are in the habit of going behind the counters of their bank—of passing around among the different departments, visiting the Cashier and the various officers, sometimes for the purpose of seeing how the machinery of banking is running, and often for the purpose

of having little items of their banking business attended to. A leading Director, who afterwards became the President of the bank, came to the desk of the Paying-Teller by this inside Director's route of which I have spoken. His errand was in part the collection of his check on the bank, which he held in his hand. The Paying-Teller was busy, and so the Director laid his check upon the Teller's desk unobserved by the Teller, and passed on to another department of the bank, intending to return in a few minutes for his money. The Paying-Teller soon saw the check left by the Director. At the same time he saw a gentlemanly appearing man standing in a waiting attitude outside his counter at the opening where the Teller interviews the outside world and passes them over the cash. He jumped at once to the conclusion that this outsider was the holder of the check mentioned, had passed it in and was waiting for his money. The Teller paid the amount of the check to the cool and gentlemanly outsider, who at once passed out of the bank with the money and was never heard from in that bank again. The Director soon turned back to collect his check, and the blunder was at once revealed. In the end the Director was paid the amount of his check, which was charged to the unfortunate Teller.

Another Paying-Teller, who was a very careful officer and with long experience in banking, was in the habit of handling, at the time of which we are writing, a very large amount of cash gold. There were then no coin certificates or Treasury notes, and all settlements between banks and all customs duties were paid in the solid gold. Some dealer with the bank passed in his check for $2,500, and asked that it be cashed in gold—made this request of the busy Teller and then patiently waited for the gold coin to be passed out to him. Soon the bag of gold was shoved out through the aperture. A few minutes after the payment the Teller glanced up from his work and saw the $2,500-check man still standing before the Paying-Teller's opening in an apparently waiting attitude. The Teller looked at him inquiringly, and was told by the customer that he would like his gold. The startling revelation was then made that the wrong man had taken the bag of gold from under the eyes of both Teller and check-drawer and walked out of the bank with it upon his shoulder in regular bank Messenger style. This was afterwards testified to by a bystander. Search for the thief and the money was unavailing. The bank assumed the loss on the ground, I suppose, that it was one of the legitimate risks of doing a banking business, and deducted the amount from the Paying-Teller's salary. Yet any practical banker must see that there was carelessness both on the part of the Teller and the check-drawer which this story may lead other Tellers and check-drawers who read it to avoid.

THE TELLER AS A DETECTIVE.

The Paying-Teller was a thousand dollars short at the close of a day of active payments, and, after he had exhausted every means at hand for finding the missing money, and counted and re-counted, added and

re-added until he was weary over the fruitless hunt, he began to try to recall, as Paying-Tellers always will under such circumstances, all the paying-out transactions he had gone through during the day with a view of discovering what may be termed an individual location of his loss—that is, he tried to think of some cases in that day's work where he had cashed checks in a way that might account for the missing thousand dollars. After much reflection he suddenly came to the conclusion that the deficiency was caused by over-paying a small check which he had cashed for a man in humble circumstances, a hack-driver who lived in a remote part of the city. Firm in this conviction—really positive in the matter—he hunted up the poor hackman, finding him on his box on a rainy night, and closely questioned him regarding the transaction he had that day with the bank. The driver assured the Teller that he had only the money belonging to him, and, as if to prove it, hauled out of his pocket the roll of bills in just the shape (as he said) that the Teller had paid them to him. There was nothing more that the Teller could do in this direction ; but he came away from the man confident that he had placed that thousand—confident, too, that he was a hard and suspicious looking character. A week or two after this, when the Paying-Teller had become thoroughly discouraged over the prospect of finding the "short," a very honest old gentleman, living back in the country, came into the bank and paid the Teller a thousand dollars which he said had been over-paid him on the day of which we have been writing, and which, for some reason or other, he had not promptly discovered and reported. Paying-Tellers are sometimes apt to be too confident in their theories when they come to the work of "thinking up" the location of an over-payment ; and they are also sometimes mistaken when they attempt to judge men by appearances. In the case we have just described we have an illustration of both of these points.

But the Teller is not always mistaken, and we balance the last anecdote with the following :

It was a check for one hundred dollars, and the presenter of it said he would like it all in ten dollar bills. The busy Paying-Teller, by one of those lapses which will happen to the best of Tellers, reached his hand into the wrong division of his cash drawer—into the partition holding the hundred dollar bills—and passed the check collector ten one hundred dollar bills. The man took them, counted them, passed out of the bank, and continued on his travels to a distant city, for he was by profession a commercial traveler. At the close of the day's business, when the Teller settled his cash, he found it nine hundred dollars short. He then ran over the various paying-out transactions of the day, and soon vividly recalled this hundred dollar check affair and the blunder he must have made in connection with it. Such things will sometimes flash back upon the minds of experienced Tellers with wonderful clearness. He at once knew the man who had received his

$900. But the thing now was to find him. It is sufficient to simply say that he was found and, on refusing to pay back at once the money which belonged to the bank, was arrested on the charge of having $900 in his possession belonging to the ——— Bank. The man was as much a thief as if he had put his hand directly into the till of a bank and stolen outright $900. The man who is over-paid by a bank, and who does not promptly report such over-payment to the sufferer, is by the rules of law, equity and common sense deemed guilty of open robbery. Yet there are those who sometimes seem to be hardly aware of this.

RAISED CHECKS.

He drew a check upon a bank for $50 in his usual neat and careful manner upon one of his regular check forms. Neither the paper, the ink nor the filling up were of a character to aid or encourage fraud. Yet, nevertheless, this check was manipulated in a fraudulent manner. After having passed out of the hands of its payee, bearing his indorsement, it fell into the clutches of a rogue who removed with acids the $50 and inserted $1,000 in its place. In this altered condition the check was presented to the bank upon which it was drawn, and, by request of its identified holder, who was the raiser of the check, it was certified good for the raised amount. In this certified condition it was cashed for the full sum by an innocent party and by him deposited in another bank, from which it came through clearing to the certifying bank for collection. But this bank had, in advance of its presentation, discovered that the check was a fraud and refused to pay more than $50 for the check, this, the original amount, being all that could be charged upon it to the depositor who drew it. Here was an interesting complication. In the end the drawee bank was sustained in the position it had taken and obliged to pay only $50. The loss of the $950 fell upon the innocent party who had first been victimized. And this is where losses of this and similar character are always placed. The man who in good faith was unfortunate enough to cash for another a check which had been raised from $50 to $1,000 lost the difference between the two sums, his only recourse, which was to the party for whom he cashed the check, being of no value, since the scoundrel could not be found. The fact that the bank had certified the check as good for $1,000 did not help him, since the law does not hold banks liable in such matters where they have exercised proper care any more than it would if they cashed a check bearing forged endorsement. A bank is responsible for the signatures of its drawers, but it cannot be supposed to know the signatures of endorsers nor whether a check may or may not have been ingeniously raised. For these last contingencies the reliable, identified person for whom they have cashed the check is fully responsible.

The certification in the case in question did not help the matter as far as the last holder of the check was concerned and did not prejudice the bank in the least. If the bank had paid the full face of the check

on its first presentation it could have demanded the $950 back from the collector. In certifying instead of paying it certainly placed itself in no worse position than if it had immediately paid the $1,000.

THE TELLER WHO WAS SHORT.

He was the Paying-Teller of the largest bank in a leading city, had held that position for a long time, and was considered an able, honest and most faithful officer. He worked early and late and was somewhat noted for the rapidity and correctness with which he handled money in payment of the checks drawn upon the bank.

One morning the Teller of another bank upon the same street came to the desk of this Paying-Teller and said he wished to report to him an error of three cents which he had made several days before in a transaction between the two banks. The report and the rectification were received with apparent gratitude by the Paying-Teller, who said that he had been hunting everywhere for many days to find that three cents.

It is a curious fact that this little incident happened just at the time when the Paying-Teller was at the end of his rope, as it were, after a long period of irregularities in his department. The day of exposure, disgrace and punishment was at hand, and on the forenoon when he made this remark about the long hunt for three cents he hung himself in the basement of the bank. When his books were examined he was found to be a defaulter to a large amount.

The experienced banker who has been brought into close connection with bank officers who, undiscovered, were engineering along defalcations can generally testify that the most remarkable thing about these defaulters has been the coolness and self-possession they have shown while up to their eyes in wrong-doing.

GOLD AND SILVER.

An experienced Paying-Teller will give you many interesting as well as surprising facts regarding the weight, bulk and supply of gold.

Eight thousand million dollars' worth of gold are now said to be in use in the world. In such statistics as these we shall be satisfied if we get within a few dollars of the truth.

The total product of gold from the earliest times amounts to $14,000,000,000, so it seems $6,000,000,000 of gold has disappeared. Now comes up very naturally the curious question, Where is it? since nothing made from gold is ever intentionally destroyed and the noble metal is peculiarly indestructible. In olden times immense amounts of gold were used in ornamentations for temples for religious worship. What has become of all those articles made of solid gold of which we read which adorned those ancient edifices? Where are the golden altars, the candlesticks and the clinging vines, all of solid gold, of those ancient temples? In those far-off days of the past vast amounts

of gold were used for personal decorations. The painter and the historian have given us glowing pictures of Cleopatra floating down the Nile, reclining amidst her slaves and admirers in scanty attire, loaded with ornaments of gold. What has become of all this twenty-four carat fine ancient jewelry?

Gold, as a metal, has some very peculiar characteristics which certainly are not fully understood, and which are, in fact, subjects of discussion and dispute even among the eminent scientists who have given them most attention. Some philosophers have advanced the idea that it evaporates. Though the most ductile and the most completely proof against fire and rust of all the metals, it is, at the same time, wonderful stuff for wearing out.

If you will tell me what has become of the gold of which your watch-case was made for which you paid $40 twenty-five years ago, buying it by actual weight, and which will not to-day bring you over $30 if again sold by weight, I think I can answer the hard gold conundrums I have just raised. But the fact, statisticians say, is as I have stated: fourteen thousand millions of dollars worth of gold is the total product from the earliest times, and only eight thousand millions are now in existence.

Those who have not looked into the matter will be surprised at some figures regarding the space needed for storage of gold. A million of gold in $5,000 bags occupies only about eight cubic feet and one hundred thousand dollars in $5,000 sacks can be piled in 1,440 cubic inches, so that if we dispense with the canvas bags and dump in coins, ornaments and bullion in one solid mass, one of our modern banking rooms, say about 80 feet by 50 feet, with a height of 16 feet, would hold all the world's stock of gold—the entire $8,000,000,000, but it will be well to select for the experiment a room pretty near the basement story as it will need to sustain a weight of nearly 15,000 tons.

An ounce of gold may be said to be worth, intrinsically, all the value it commands, either in use as coin or as employed in the arts, since every dollar's worth of it represents a dollar's worth of labor in digging it from the earth, stamping it out of the quartz rocks, or washing it from the sands. And, according to the appearance of things, a present dollar's worth of gold will, before long, be worth more than a present dollar.

On the one hand we find decreasing production of gold, and, on the other, increasing consumption. The decrease in production has been steady, constant and important, since 1861.

In the five years, including and ending with 1861, the world's annual production of gold averaged 695 millions of dollars; in the next five years the average dropped to 680 millions; in the five years ending 1871 to 640 millions; in 1876 to 590 millions; in 1881 to 535 millions; in 1885 to 425 millions. These striking figures indicate in a most unmistakable style the gold drift of the period. Unless some new and undreamed-of

plantations of the king of all metals are shortly discovered we shall find gold rising materially in price the world over.

Pure gold is a very soft substance, and cannot well be used in jewelry, such as watch chains, watch cases, etc., without being hardened by an alloy to about 14 carats. Used as coin, it must be hardened somewhat or it would wear out too fast. So the American double-eagle and the subsidiary American gold coins are alloyed with copper to a standard of 21 6-10 carats. Australian gold coins are alloyed with silver, and American gold coins were formerly alloyed with this same metal. English and French gold coins are slightly finer than our own, having a standard of 22 carats.

I learn that eight millions of gold are annually consumed in the arts, and the latest figures I have seen make the gold coin of the United States worth $287,000,000 and the silver $112,000,000.

Manufacturing jewelers, in melting and working gold, obtain their supply of the precious metal by buying old gold in whatever manufactured shape it may present itself—in ingots, which are simply masses of uncoined gold, and in bullion and coin.

The American double-eagle, which is a favorite piece with consumers of gold in the arts, weighs when fresh from the Mint 21½ pennyweights. Pure gold is considered worth $1.04 a pennyweight. As the standard of the double-eagle is 21 6-10 carats it will be readily seen, by a calculation, that it is worth $20. That is, our American gold coins have not the slightest flat element in them. When new they are worth to melt just as much as they pass for as money.

Bullion gold is not readily obtainable in Boston, but plenty of it can be got in New York city, and in Newark, both of which places consume vast quantities in the arts.

The term carat, of which I have made use, needs a little explanation. It comes from a Greek word, signifying a berry, which was by the Greeks used as a weight of four grains; and in this country and in England, when carat is used by the jewelers to express weight, it stands for four grains. In Germany and France it varies from this. But the term carat is more frequently used as above to express the purity of coin and manufactured articles which are made wholly or partly of gold. The whole mass is divided into twenty-four parts and is called gold of as many carats as it contains twenty-fourth parts of pure gold. Thus a coin of which twenty-two twenty-fourths is pure gold is called twenty-two carats.

The question of the relative value of gold and silver is one that greatly interests all classes. I suppose that most readers are perfectly well aware that silver has been steadily falling in price for a long time. The dollar silver coin, which is current in this country, is down among the seventies on the world's exchange. The reasons for this decline of silver, or this relative enhancement of the value of gold, are many.

Silver has fallen in value because the demand has not kept pace

with the production while gold has more than maintained its old-time position because, as we have said, the demand for it has increased while the production has been falling off.

Far less silver is used than formerly in art and in mechanics.

This is particularly true of the silver situation in England. Much less silverware is now made and sold in England than in former times. Business depression is a leading cause of the decrease there in the use of silverware in families ; but fashion has had something to do with the change. Then again the growing custom of using silver-plated ware in place of the solid article exerts a great influence. The popularity of silver-plated ware has been increased by the great skill and thoroughness shown in late years in its manufacture. Many good housekeepers see little necessity of buying solid silverware to tempt thieves, when plated silver that looks as well can be obtained so cheaply. On the other hand there has been a steady increase in the art demand for gold. I have been cognizant of a grim fact (or claimed fact) regarding the art demand for pure gold, that has not attracted very wide attention. It is asserted that in these days of poor teeth the average adult has at least a dollar's worth of gold in his mouth, and that, consequently, every generation buries in the cemeteries of the United States $50,000,000 in gold. It may be that in England more economy is shown than here in the disposition of dental deposits, for I have seen in London stores any quantity of old false teeth on sale for the gold that was fixed in them. In the London "Times" it is very common to see a long list of advertisements of second-hand clothing and second-hand false teeth for sale.

THE TELLER'S SPECIE.

The gold in our banks is generally in charge of the Paying-Tellers, and lies piled in bags containing $5,000 each. Each $5,000 weighs twenty-two pounds. Standard gold is worth $18.96 an ounce, and one reason for great respect for this noblest of all the noble metals comes from the fact that it has varied but a trifle in price since the discovery of America by Columbus. The bags of gold taken on by the Paying-Teller, from whatever source they come, are by him invariably examined and weighed. That is, it must be poured from the bag which holds it into a scale and poured back again into the bag. This is done for two reasons. It is not safe to take on gold coin and salt it down in a bank vault, without making a face to face examination of it to see if it is the genuine article. The Teller cannot see through a bag, so he turns out its contents, and thus assures himself of the quality as well as the quantity of his last invoice of the precious metal.

In the days of the State bank system and before Clearing-House methods were introduced into this country, in one of the large New England cities, the daily settlements of debits and credits between the banks were made in gold which was carried from bank to bank, in

$5,000 bags, on the shoulders of the messengers of the period. In time the Tellers grew a little careless in their manipulation of the gold which was doing this balancing duty and the result was that a bag filled with old copper cents gave some defaulting Teller a good profit by doing duty as gold for nobody knew how long until it was finally brought up with a short turn by a Paying-Teller who took time to examine the inside of the bag as well as the tag on the outside.

Then, bags vary in weight, but it must be only a slight variation, and if on weighing a $5,000 bag of gold it is found to fall short in weight one-half of one per cent., the Paying-Teller institutes a search for the under weight coins which have thrown discredit upon the whole bag by their individual deficiencies. His experienced eye at once detects the light coins which almost invariably show their lightness by their worn and smooth appearance, though there are occasionally instances where clipped coins turn up to account for the default in the bag. If they are short in weight from sweating or clipping they are returned as uncurrent to the party depositing the gold, and good coin taken from him in exchange. If the bag turning up short is the property of the bank, with no recourse to any one for reclamation, the reduced coins are taken to specie dealers and sold for the melting pot for the most they will bring.

When a short weight gold coin gets by chance into the hands of the United States Treasurers they are by United States law compelled to stamp it short upon its face, and thus summarily end its travels as money.

Clipping of coins, of which we have spoken, is just what its name would indicate—the simple act of reducing its size by cutting pieces out of it.

There is a process for debasing gold coin which is more difficult of detection. The pieces are sometimes split open, gold taken from the inside of both pieces, lead or some other heavy, base metal, put in its place, and the two pieces again deftly soldered together. The sweating of gold, which you frequently hear mentioned, is a very ancient mode of cheating. It is done by placing the gold coins in a strong bag and shaking them long and patiently. I have heard that this fraudulent operation was at one time carried on by the aid of some sort of a machine for shaking the bag. One not acquainted with the handling of gold coin would have little idea how easily it can be reduced, and its wearings saved by the process I have described.

The natural and unavoidable sweating of the coin resulting from the ordinary and legitimate handling of the bags gives one a very good idea of the artificial sweating. Thus in weighing gold, in simply pouring it from the bag and pouring it back, quite an amount of gold dust can be detected upon the bottom of the scale dish.

My Paying-Teller had occasion recently to weigh $50,000 in gold; and, after weighing it, brought to me, in illustration of the very

point of which I am writing, quite a hand-covering of the gold dust, which he had gathered from his scale.

This point of the wear or abrasion of gold coin is a most interesting one. Gold can neither be handled or moved without more or less loss from this cause ; and in handling large sums it becomes a very appreciable item. I have been able to learn of a few cases where the extent of this loss was by the circumstances very clearly shown.

Some years ago the great banking-house of Brown Brothers & Co., of New York and London, shipped from New York to London in the usual way as regards handling, packing and ocean carriage of a million of dollars of gold in coin. By one of those sudden swings in the current of exchange between England and America, which are not infrequent, it was found, before the gold had crossed the Atlantic, that the most profitable exchange use of that $1,000,000 in gold could be made by ordering it returned to New York at once in unbroken bulk—in its original unopened boxes. The steamer that bore it to London was met by a cablegram that had passed it on its way, ordering the immediate reshipment of the gold to New York—which was promptly done, and back it came to Wall street in the original packages.

The net loss to the New York house from the abrasion resulting from the round trip was 1-57th of one per cent—just $175.

A great New York shipper of gold, who has had these figures which I have just given under his consideration, tells me that his experience (a long one) in shipping gold to and from London has taught him to expect an ocean voyage abrasion loss of about $186 on every million. But there is a difference of opinion among our gold shippers regarding this matter.

Our Paying-Teller, however, knows that gold is so easily worn and defaced that it is very judicious to handle it carefully and in the right way. When put in these $5,000 bags, which I have described, it must not be tied too closely. Space must be left between the string and the gold so that the coins may have a chance to swim around loosely whenever the bag is moved. If tied closely the coins will cut and wear each other and also strain harder upon the bag. The simple tying of a bag of gold is an art. They are to be opened whenever they pass into new hands, and Paying-Tellers look for a peculiar, handy knot in the string, which can be easily untied without cutting, and the absence of such assures them that some green hand has last had the bag. I have heard an experienced Paying-Teller say he should like to go up and down among the banks telling bank officers how to bag gold, inexperienced ones having caused him so much trouble.

In some banks it falls to the lot of the Teller to make up parcels of gold for shipment to foreign countries. In shipping gold coin to England the shipper generally sends American double-eagles. He selects these because, being a large coin, there is less shrinkage on them. If they cannot be procured he takes the next best thing, which

is the ten dollar gold piece. These he generally packs in rather small size boxes made of very thick pine boards. Sometimes the coin is put into kegs about the size of nail kegs. In both cases the packages are sealed.

The experienced shipper has a very neat way of sealing his boxes which is worth remembering. He sinks the heads of the large screws well down in the boxes and then covers them with his seal of wax.

When put on board ship specie is generally placed in the run of the vessel, and large shippers of gold have told me that special care is sometimes taken to keep from those on board the ship the fact that specie forms a part of the cargo. But the pursers of our steamers must know all about such matters, and it is now the custom of the papers to report in detail all the movements of specie between this and other countries.

When the American coins reach the other side they find themselves situated pretty much as is the English sovereign—the one pound value coin of England—when it comes to see us. They know nothing of dollars and cents in England. We do not count in pounds, shillings and pence here. Either coinage is uncurrent when away from home, and becomes simply merchandise. Here, uncurrent coin is taken in charge by dealers in the article, who sell it to manufacturing jewelers for the melting pot, to travelers who are going to countries where such coins are current, or to the Mints of the United States, where it is recast into current American coin. The coin and bullion we ship to England is treated in the same manner, except that the Bank of England and not the English Government has the monopoly of the coining and recoining of the Kingdom.

If it is asked why our shippers of gold to Europe do not send bullion rather than American coined gold I reply that bullion of this sort is one of the most difficult things to find. "In fact," said a large shipper of gold to me, "when we want it it seems impossible to get it."

In shipping gold from England to this country the shipper also hunts for American double-eagles ; but he finds few for the reason, as I have stated, that they are apt to be recoined as soon as they get there. But bullion gold he can get. The Bank of England has vast stocks of it from which are drawn the shipments of gold that England makes to all parts of the world.

The Paying-Teller is sometimes called upon to pay out silver coin for shipment. But most of the silver that has been sent out of this country of late years has gone out in the shape of silver bricks. Once in a while silver coins are called for to ship to China to pay for teas and other commodities.

A gentleman once left Boston in a ship bound for China with $18,000 in silver dollars in a few nail kegs which he kept with him in his berth all the long and tedious voyage.

The Chinese will have nothing but silver. And they are very par-

ticular what sort of silver that is. At one time they would take nothing but the Mexican dollar. It is still very popular there. Our trade dollar was prepared to suit their taste. They possess wonderful skill in judging the merits of a coin. They have professional coin testers who will pass a keg of silver dollars through their hands with amazing rapidity, rejecting by the mere sense of touch the light weight or debased dollars.

At home, our Paying-Teller may find before him counterfeit coins, especially of silver, that are really more handsome than the genuine.

Here is the United States Mint test for determining whether gold and silver coin is good or bad. Use the liquids as near the edge of suspected coin as possible, that being the part most worn. A drop of the preparation will have no effect on genuine coin, while its action can be plainly seen on the counterfeit. Heavily plated coin should be scraped slightly before using :

TEST FOR GOLD.—Strong Nitric Acid (368), 39 parts. Muriatic Acid, 1 part. Water, 20 parts.

TEST FOR SILVER.—24 grains Nitrate of Silver. 30 drops Nitric Acid. 1 ounce Water.

Here is a table of the standard weights of United States gold and silver coins :

STANDARD WEIGHT OF UNITED STATES GOLD COIN (BY ACT OF CONGRESS, PASSED JUNE, 1854,) AND SILVER COIN (BY ACT OF CONGRESS, PASSED 1878).

GOLD.						SILVER.		
Dollars.	*Ounces.*	*Penny-weights.*	*Grains.*	*Total Penny-weights.*	*Grains.*	*Dollars.*	*Penny-weights.*	*Grains.*
1.....	—	1	1.8	1	1.8	1.....	17	4½
2½.....	—	2	16.5	2	16.5	5.....	85	22½
3.....	—	3	5.4	3	5.4	10.....	171	21
5.....	—	5	9	5	9	20.....	343	18
10.....	—	10	18	10	18	50.....	859	9
20.....	1	1	12	21	12	100.....	1718	18
50.....	2	13	18	53	18	200.....	3437	12
100.....	5	7	12	107	12	500.....	8593	18
200.....	10	15	—	215	—			
300.....	16	2	12	322	12			
500.....	26	17	12	537	12			
1,000.....	53	15	—	1,075	—			
2,000.....	107	10	—	2,150	—			
3,000.....	161	5	—	3,225	—			
5,000.....	268	15	—	5,375	—			
10,000.....	537	10	—	10,750	—			
20,000.....	1075	—	—	21,500	—			
50,000.....	2687	10	—	53,750	—			

I add also a few words regarding some unjust coin rules which have been set up by the United States Treasury.

Briefly stated they are these : If a standard gold coin, in currency sound, falls short one-half of one per cent. of its original standard weight, it is marked light weight the moment it reaches the United States Treasurer or any of his Sub-Treasurers. Having thus condemned

it and by the stamp robbed it of its power to travel more as money the Treasury refuses to redeem it at all and thus turns it into simple merchantable gold. In this shape the holder finds that he must lose about three per cent. on it, that being the discount he must allow to the brokers who buy it to sell again to be used in the arts.

Silver coins which have been clipped and bored are placed at a disadvantage by the United States Treasury in the same way. It will not pay for them their proportional value viewed as money coins. It condemns and drives them to the melting pot.

In view of these facts, bankers, business men and others have petitioned the Secretary of the Treasury as follows:

That your petitioners, representing the banking and financial interests in this locality, desire to call your attention to the inadequate means provided for exchanging mutilated gold and silver, and would respectfully suggest that, in view of the large amount of profit accruing to the Government by the coinage of silver, liberal regulations be made for the redemption by the Treasury of all gold and silver coins reduced in weight below the limit allowed by law.

If you would instruct the various Assistant-Treasurers to receive all light weight gold coin and all mutilated silver coin, deducting from the face value of the gold coin presented five cents for every grain or fraction of a grain that was missing, and from silver five cents for every pennyweight missing, and authorize them to receive these light weight and mutilated coins in whatever sums offered, in a few months this class of coin would entirely disappear.

It is not fair to compel the public to lose the difference between the actual and nominal value of silver, and, as over $9,000,000 was carried to the credit of the silver profit fund during the last fiscal year (1889), we think the Treasury can afford to be liberal in providing a fair means for exchanging and redeeming these coins.

UNITED STATES TREASURY NOTES.

These are known to bankers and to business men generally under several popular names, none of which fit them well. There is no particular propriety in labeling them legal-tenders, par excellence, since they are so no more than any other class of lawful United States money. Neither do they seem particularly entitled to the name of greenbacks, their war-time popular nick-name, since their backs are not much greener in their hue than the National bank bills of all the earlier issues. But there is one name which bankers are fond of bestowing upon them, which is decidedly incorrect, and that is that of United States demand notes. It is a peculiar fact, and one that few holders of these notes have observed, that, unlike National bank or old State bank issues—in fact unlike all other paper money afloat in this country or abroad—they are actually not even payable on demand. These promises to pay, issued by a Government which was at the time of their issue in a great strait, simply read "United States will pay to bearer;" and this omission to say more—to mention the time when they would be paid—was without doubt more than accident. Other paper money of all lands reads "Will pay bearer on demand." There are about $346,000,000 in these notes now in circulation under legal-tender enactments which have never been repealed. Their denominations are $1, $2, $5, $10, $20, $50, $100, $500, $1,000.

By the act of March 14, 1900, the United States demand notes, and

also the Treasury notes of 1890, issued in the purchase of silver bullion, were made redeemable in gold coin upon presentation at the Treasury. This act also declared the dollar, consisting of 25.8 grains of gold, nine-tenths fine, to be the standard unit of value, and made it the duty of the Secretary of the Treasury to maintain the gold parity of all forms of money coined or issued by the United States. Prior to the passage of this act, the United States demand notes and Treasury notes were payable "in coin." The same act extended the limit of issue for National bank notes from ninety per cent of capital to 100 per cent.

NATIONAL BANK NOTES.

They are promissory notes, payable on demand. They are in the law issued by a private corporation, for a National bank, though seemingly a public institution in many of its aspects, is nothing more or less than a private corporation. National bank notes are not lawful money. They are not legal-tender between man and man, yet they are between individuals and National banks, for National banks are obliged to receive them for debts due. All National banks are obliged to receive them from all other National banks in settlement of debts. Their denominations are $5, $10, $20, $50, $100, $500 and $1,000. The issue of National bank bills of less than $5 was stopped when specie (or silver) payment was set up.

The National bank bill is redeemable at a central bureau in Washington—and over the counter of the issuing bank—in lawful money (Treasury notes, gold and Bland dollars); their market value is therefore the same as the legal-tender Treasury note. They are receivable at par in all parts of the United States for taxes, excise, public lands, and all other debts due to the United States except duties on imports, and also for all salaries and other debts and demands owing by the United States to individuals, corporations and associations within the United States, except interest on the public debt and redemption of the National currency.

The arrangements, which the National banks in Clearing-House cities make among themselves by which, under a Clearing-House plan for which no special provisions are made in the Revised Statutes of the United States, they bind themselves to make their mutual settlements in lawful money, are elsewhere fully explained. In places where there are no Clearing-House arrangements, and no mutual plans, like a wheel within a wheel, for governing the banks in their dealings among themselves, they pay and receive from each other National bank bills (as the law directs) in the settlement of all their transactions.

National bank notes are divided into three classes, as follows: 1. The old series bearing the small star-pointed seal, and signed by F. E. Spinner as Treasurer. 2. The series of 1875, bearing the scalloped seal, and signed by John C. New, A. U. Wyman or James Gilfillan as Treasurer. 3. The series of 1882, bearing the large seal (chocolate

color), and signed by James Gilfillan or A. U. Wyman as Treasurer of the United States.

Let me stop right here and figure out the coin standing of National bank notes. They are secured by, and issued upon, United States bonds—and well secured, because there are, estimated at par, $100 in United States bonds behind every $100 of the National notes outstanding.

Every National bank must keep itself in funds, at the redemption bureau in Washington, to redeem its notes in full whenever they turn up there ; and every National bank must also hold itself in readiness to redeem its circulating notes over its own counter.

But what sort of a redemption is this ? That is what we want to get at. What are the notes to be redeemed with ? Why, in lawful money, of course, for that is what the law specifically demands. And what is lawful money in the United States ? That is a question easily answered, for the answer is all down in the law. Lawful money is legal-tenders, gold and silver dollars to any amount, and fractional silver to the extent of five dollars. So I have reached the bottom of the National bank note. I find it a silver bottom. Every dollar of the outstanding National bank notes can be lawfully redeemed in silver. Now this silver fact is of little conseqence just at this moment, because gold is not at a premium. But the moment gold does touch a premium, this silver option on the legal-tenders and National notes will be a very disturbing currency element.

And now I face the main question. Is gold going to a premium ? That is what every one is asking. That is what no one can answer. "It all depends." If we keep our exchange current all solid with the other side, gold will not touch a premium. If this great country will continue to send to Europe more of its wheat, corn, etc., than it imports from there in silks, satins—all that long line of European products that are to-day pouring in upon us by every steamer—and, alas, pouring in just now at a time when we are holding our wheat too high to compete with Russia, India, etc.—and if investors on the other side begin to lose confidence in our shares and bonds—why then we shall be in a bad exchange rut, and gold will flow out from us and advance to a premium.

But I think theorists are becoming too much alarmed over the gold and silver situation. I see no prospect of a character to cause immediate worry. This great, strong country is coming out all right. It has the ability to feed and clothe Europe, and its greatest city, New York, is soon to become the financial heart of the world.

SILVER CERTIFICATES.

These youngest of all the Treasury issues have come to be about as familiar an object in the cash drawers of the Tellers of our National banks as the common Treasury notes or National bank bills. They count in the reserve of a National bank, and must be received by all

National banks for debts due. No National bank can be a member of any Clearing-House Association in which silver certificates are not received in the settlement of Clearing-House balances. They cannot be taken by National banks as security for loans, and it is unlawful to withhold them from circulation—to lock them up. These silver vouchers are issued under an Act of Congress of February 28, 1878, and all read payable on demand to bearer in silver dollars at the office of the Treasurer of the United States in Washington, this silver dollar being the standard dollar, of unlimited legal-tender capacity, weighing 412.5 grains, and of which there are now about 300,000,000 in circulation. The silver certificate is not itself a legal-tender, but it is so near being so, from the fact that it can be taken to the nearest Sub-Treasury and exchanged on demand for dollars that are legal-tender, that it practically does legal-tender work in our currency.

They are always signed in *fac-simile* by the register of the Treasury and the United States Treasurer.

MUTILATED, AND COUNTERFEIT PAPER MONEY.

Paper money, the world over, is all the time sinking into a mutilated and filthy condition. How to keep it in presentable shape, and at the same time keep it moving, is one of the hard conundrums of the day. In the United States, and in Europe, immense pains are taken to procure for monetary use the strongest and most perfect paper. There has never been a time when such excellent paper has been used for paper money as is now used. But, along with the production of strong and fine paper money, has come a custom of handling it in the most careless and slovenly manner. It was not thus in the days of our grandfathers. They carried great calf-skin wallets, and in them carefully laid, at full length, their money bills. Now-a-days we wad the bank notes and greenbacks in pinched porte-monnaies. We crush them in a heap, and jam them into trousers and vest pockets, alongside of keys and jack-knives. In fact, as a general thing, we use them carelessly and roughly. We know we shall not keep them long. We seem to care only to keep them in a condition that will ensure them a shape to pass to the next person. Let me suggest that as the community in general is much given to denunciation of the worn and filthy condition of the National bank and legal-tender circulation, it would greatly mend matters if it should at once begin to do what it can to keep our paper money smooth and clean, by handling it every time just as if it was made of a delicate and perishable material, instead of treating it as it now too often does, as if bills were made of india rubber or leather.

Once in a while a bank bill of old date comes into our hands that shows careful usage and remarkable preservation.

Fifty years ago the wife of a wealthy and liberal city merchant sent her minister's wife in a letter a present of a fifty dollar bank bill. All the parties to the transaction died long ago. A while since the

fifty dollar bank bill was discovered in the very same old letter in which it was sent to the minister's wife—found among her books and private papers. It came into my hands as smooth and bright as when first issued, and I redeemed it. She certainly had taken good care of the original gift, though we cannot say much for the way she had looked after the interest account.

The Paying-Teller can do his part of the good work if he will make a point of keeping in stock as nice, new and bright an assortment of bills, large and small, and gold and silver coin of the current denominations as it is within his power to secure. I am now referring, of course, to the supply of miscellaneous cash he carries in his trunks and drawers to meet what may be termed the demand of the retail branch of his trade—to cash the checks, which are generally small checks, to meet personal wants, that are paid over his counter. I happen to know the Paying-Teller of a large bank, whose general management is a model of system, and who shows his views of neatness and order in his business by fully carrying out this idea. His customers often speak with satisfaction of the fact that their Paying-Teller always manages to pay them in clean and unmutilated bills and change, even down to cents, that is fresh and bright. With a little pains, particularly in our large places, Paying-Tellers may make a marked improvement in this respect. New small bills, silver and cents, may, with very little expense, be obtained for old ones at the United States Treasury.

But let the National bank notes and legal-tenders be used as carefully as possible, they will still wear out; they are made of light weight and of perishable materials.

Every person will at times find on his hands worn, filthy and mutilated notes. Now what is the precise status of such? What are the rules of the banks and the banking department in redeeming notes that are evidently unfit for circulation?

If the whole face of the note is present and in a condition to permit of the recognition of its parentage, it will be promptly redeemed at full face value, no matter how dirty, worn and defaced it may be. It is not even necessary that the signatures of the President and Cashier shall be decipherable upon them. If every signature, written or engraved, that had originally stood upon the note had been washed or worn off the bill would yet be redeemed.

But, if portions of the paper itself are missing, the Government is very particular in its treatment of them.

What its precise rules are in these premises we will here set down, so that every body handling fragmentary bills shall know their rights in this redemption business.

If not more than two-fifths of the paper is gone, and the note shows the name of the bank, and the signature of one of its officers, it will be redeemed at full value.

A fragment of a National bank note, which does not clearly amount

to two-fifths of the original paper, is not redeemable at all, either by the banks or the redeeming bureau at Washington, unless a satisfactory affidavit can be presented, showing that the balance of the note has been destroyed. In this case the bill will be redeemed in full.

Where a fragmentary note amounts to two-fifths or more, and not over three-fifths, the National banks redeem it at its proportional value, or, rather, at as near its proportional value as they can, and still be in harmony with the Government rule that the valuation of the fragments shall be equal to the face value of some denomination issued by the bank, or some multiple thereof.

In a word, all fragments of bills of two-fifths and over and less than three-fifths are redeemed by the National banks at proportional value as near as it can be got at by a payment that is a multiple of a dollar, or is of the amount of some denomination issued by the bank.

When a National bank has redeemed a lot of fragments of its own issue under these rules, it makes up the parcel of pieces into pieced bills. This it does by putting the fragments together, without regard to the denominations, reckoning the value of the pieces by the amount paid for them, and making up new bills equal to the face value of some denomination issued by the bank.

The fragmentary valuation laws applicable to United States notes, legal-tenders, are not like those I have just described as belonging to fragmentary National bank notes.

Fractional legal-tenders equalling or exceeding three-fifths of original proportions are redeemed by the United States and its Assistant Treasurers on a scale by tenths as below.

When less than three-fifths remain, and not less than clearly one-half, they will be redeemed only by the Treasurer at Washington at just one-half full face value of the note.

Fragments less than one-half are only redeemed when an affidavit is shown, proving that the *rest* has been destroyed.

The circular of the United States Treasury gives the rule thus:

"United States Notes, Gold Certificates and Silver Certificates are redeemable, by the Treasurer only, when mutilated to the extent of one-tenth, but not two-tenths, at nine-tenths of their face value; two-tenths, but not three-tenths, at eight-tenths of their face value; three-tenths, but not four-tenths, at seven-tenths of their face value; four-tenths, but not one-half, at six-tenths of their face value. Fragments of notes, each constituting clearly one-half, are redeemable at one-half the full face value of such whole notes."

The old Treasury notes—issues prior to 1869—were made of plain bank-note paper. The issues of a later date have been printed on fibre paper. Of the old issues counterfeits were more numerous than those of the new, though some dangerous counterfeits of the latter have been made. By exercising caution, however, in handling, bank Tellers need never be deceived by taking counterfeit bills. The Secret Service Bureau of the Treasury Department is now managed with such skill that advice of any new attempts to float "crooked" money is furnished to the bankers before the counterfeiters' plans can be put in operation.

This advice is sent out to the banks through the several banking journals as promptly as received from the Chief of the Secret Service Bureau. As a rule the so-called "Counterfeit Detectors" are useless and misleading. If bank Tellers will make a careful study of *genuine* bills and use the information above referred to they need never be deceived.

On page 43 is a copy of the measuring scale which the Treasury department supplies to the National banks for use in handling mutilated notes of the class named.

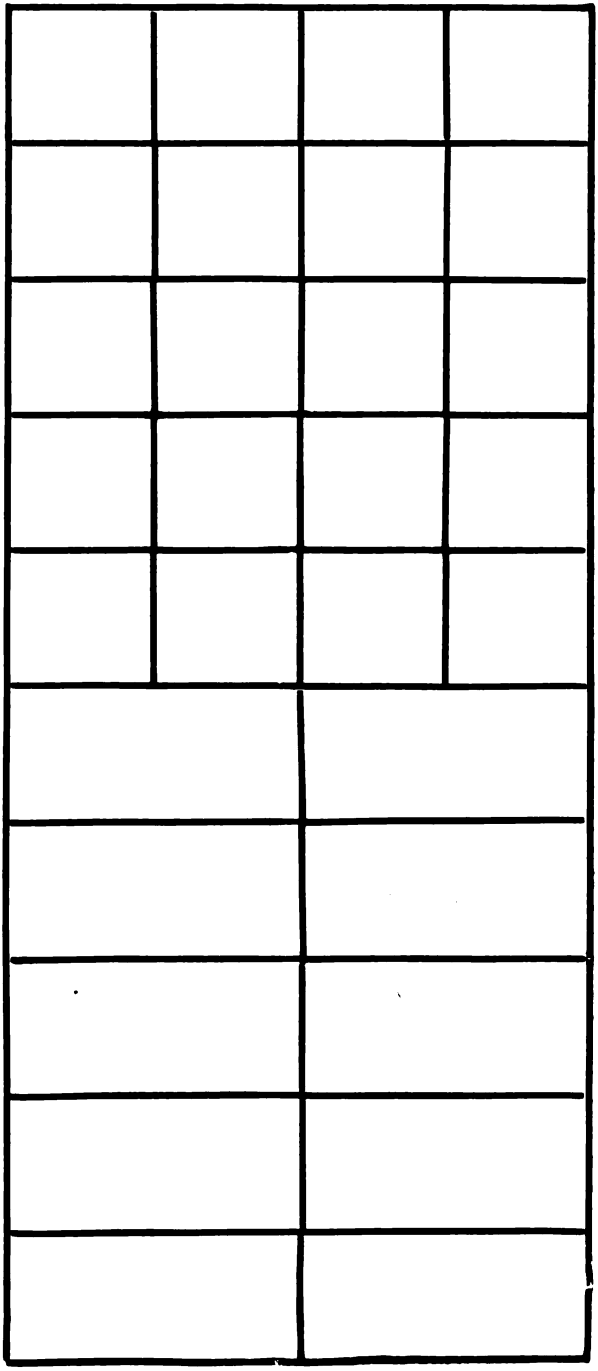
All United States notes are printed in sheets of four notes of one denomination on each sheet. Each note is lettered in their respective order in the upper and lower corners diagonally oppsite, *A*, *B*, *C*, *D*. The Government system of numbering its notes results in a certain relation between the *number* and the *letter* of each note; thus all notes of which the number when divided by 4 shows a remainder of 1 have the check letter *A*; 2 remainder, *B*; 3 remainder, *C*; those numbers with no remainder, are lettered *D*. *Any United States note upon which the number cannot be divided by 4 and show the above result is a counterfeit.*

TABLE OF COUNTERFEIT UNITED STATES TREASURY NOTES.

All genuine Notes prior to 1869 were printed on plain bank-note paper. Since 1869 on fibre paper.		Portrait. 1862, Chase. 1875, Washington.	Portrait. 1863, Hamilton. 1875, Jefferson.	Portrait. 1862-3, Hamilton. 1875, Jackson.	Portrait. 1862-1, Lincoln. 1875, Webster.	Vignette. 1862-3, Liberty. Portrait. 1875-8, Hamilton.	Portrait. 1862-3, Hamilton. 1860, Clay.	Vignette. 1862, Spread Eagle.	Portrait. 1869, Adams.	Portrait. 1862-3, Morris.
		$1	$2	$5	$10	$20	$50	$100	$500	$1000
DATE OF	1862.	B C D	B C D	A	B C	A B C	C	B C		A B D
	1863.			A D	A B C D	A	A B C D			A B D
SERIES OF	1869.						B		B C	
	1875.	D	D	A C D	C	A B C D	D			
	1878.					A B C D				
	1880.				D					

All the different series of the National bank notes have been counterfeited from time to time.

We have seen published for the use of the banks an authorized list of all National bank bills which have been counterfeited so arranged as to show in each case both the Government number and the bank number of all bills of that denomination issued to that bank, and giving simple rules by which to infallibly decide by these numbers whether a



given bill was good or counterfeit. All National bank notes issued prior to the series of 1875 bear the signature of F. E. Spinner as Treasurer. All National bank notes issued since 1875 bear the signature of John C. New, James Gilfillan or A. U. Wyman as Treasurer.

Photography has not been successfully used either in counterfeiting National bank notes or United States Treasury notes, as the colors on these notes cannot be reproduced by photography.

Of a more artistic nature than the use of lists, and requiring more skill is the detection of bad money by judging of the character of the engraving and printing.

I recollect that on one occasion a man whom we might style a "Professor" in the art of detecting bad money came into the bank bringing with him a number of rather unskillfully executed counterfeit National bank-notes. These he showed to the Tellers, enlarging somewhat upon those points in the bills which revealed their fraudulent character, and solicited an opportunity to give to the officers for the sum of ten dollars special instruction in his "secret art" of detecting counterfeit bills. It needed but little conversation with this professor to convince the Tellers of what they suspected at the outset, that the man was an impostor. There are no secrets in the art of detecting counterfeits. There are no short roads to a knowledge of the business. Careful study, long experience and a natural aptitude for this work will make any bank officer an expert. One of the best schools for acquiring skill in detecting counterfeits existed in the Suffolk Bank of Boston at the time it was carrying on the business of redeeming the bank bills of all New England when an immense variety of issues of its State bank notes were in circulation, and out of that old "foreign-money shop" there graduated men who can to-day give points to any peddler of the so-called secrets of the art of detecting bad bills. The skill of these Suffolk sorters and counters was the outcome of long and patient labor combined with a natural talent for the work. There were some clerks in the "foreign-money department" who had labored in it twenty years who were the poorest sort of authority in this matter of counterfeit detecting, for they were naturally dull students in this field, while there were others with nimble fingers, sharp eyes, clear heads and marvellous cuteness who were the keenest sort of experts there. These last never made any mystery of the business of counterfeit discovering—never pretended there was any secret in the business. In time they could detect and condemn bad bills at sight with a facility which seemed wonderful to outsiders, but their skill was simply the result of a cultivated talent.

Yet one more danger menaces the handler of our paper circulation. I refer to National Bank notes stolen when unsigned and put in circulation by the thieves. These are not redeemed either by the banks or the Treasury department except in a few exceptional cases where the

bank has recognized its responsibility for the care of such bills and the impossibility of any individual identifying them as stolen and has honorably assumed the loss and relieved the innocent public. In cases where the circumstances are such that the parties who allowed them to be stolen in an incomplete state are not to be held responsible for them, Congress should make an appropriation for their redemption.

BRANDING WORTHLESS BANK NOTES.

Section 5 of an Act of Congress of June 30, 1876 requires National banks to stamp or write in plain letters the words "counterfeit," "altered" or "worthless" upon all fraudulent circulating notes which they shall get hold of. If by error they shall wrongfully thus mutilate any National notes and greenbacks, they must pay all damages. But such errors may be easily repaired by simply sending in for redemption the note improperly stamped—sending with it a statement of the facts in the case.

This new law, like many other features of the National Bank Act, is but a copy of the law the passage of which through our State Legislature was procured by the able managers of the Suffolk Bank more than twenty years ago, at a period when the Suffolk system was in full activity, and its immense daily redemptions of country bank bills were requiring a larger force of bank clerks than it or any other Boston bank has ever employed before or since.

This Massachusetts law, which was the prototype of the National law just mentioned, obliged the Suffolk to stamp indelibly every bad bill which fell into its hands, and this they did by getting up a sort of branding arrangement, in which a hot iron and some sort of very black liquid combined to give a condemned bill so bad an aspect that its career of "usefulness" as paper money was summarily ended.

Previous to the passage of this "stamp act," the effects of which we have observed, it was the custom of the foreign money clerks of the Suffolk Bank to place upon the back of every bad bill they received from a depositor a memorandum giving the date of its reception and detection and the initials of the detecting clerk. A record of the same character was also made in a book kept for the purpose, to which was added the name of the depositor to whom the bill was returned—for these marked and condemned bills were invariably afterwards returned to their owners with a full statement of the reasons for their refusal. The reason for making all these marks and records, and also the reasons for the subsequent passage of the law requiring the complete mutilation of bad bills, will be found in the fact that the returned, marked, numbered and condemned bank notes were very often found in circulation again, doing honest work in honest hands, having been wilfully and dishonestly put afloat by the depositors to whom they had been returned.

By the aid of the marks and numbers upon their backs, the dishonest circulator could at any time be traced out by the victims who under-

stood the Suffolk system. When such detections were made, the rogues were quite in the habit of flatly denying the charge, or of declaring the paying out was entirely accidental; but they always saw the necessity of taking back the bill at its face. Bank officers do not, so far, seem to have given the new United States law, requiring them to brand plainly all the bad bills that come into their hands, the attention it deserves and demands. A few of the banks in the principal cities have procured neat stamps, and specimens of their work have made their appearance; but other banking institutions appear hardly aware of the requirements of the law, since they allow the dangerous bills to go back unmutilated to the parties who deposited them.

The proportion of worthless National bills in circulation is very small when we take into consideration the volume of National bank circulation. Under the old State system, there was a far greater amount of counterfeiting; and, as for alterations, a Teller of very large experience informs us he has never yet fallen in with a single altered National bank note.

CHAPTER III.

THE RECEIVING-TELLER AND THE DEPOSITORS.

This officer, who holds one of the most important of bank positions, besides good abilities, requires a natural tact and taste for handling money. He has a deal to do with the public and should have a large fund of patience and courtesy, since much of the good will of the bank may be said to be at his disposal.

Dealers, in making their deposits, are apt to judge of the general tone of the bank by the carriage of the Receiving-Teller. He receives a less salary than the Paying-Teller, gives smaller bonds, and is considered a standing candidate for the higher position of Paying-Teller.

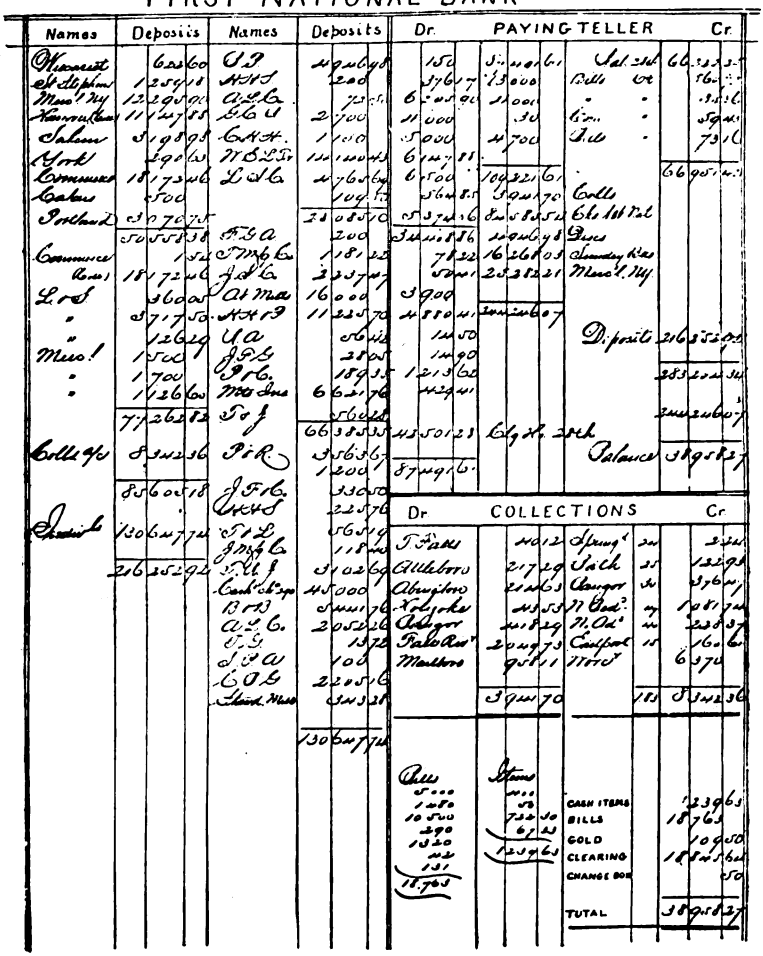
In fact, his position and duties are best understood if he is viewed as an assistant to the Paying-Teller; for, in the system and philosophy of banking, he is really such, and nothing more nor less. His work and his books are best comprehended when considered as simply supplementary to those of the Paying-Teller. He stands at his counter and receives all the deposits made with the bank; and, where there is no Note-Teller, all the money that is paid on the collection notes; but so far as these receipts are cash they are handed over to the Paying-Teller with a proper record of the delivery and when they include checks which are given to a collection or correspondence department such funds are, with more or less detail, charged to the Paying-Teller, and thus put into his books and department.

When the Paying-Teller takes vacations it is the Receiving-Teller who usually does his work.

In active banks the Receiving-Teller's position is an arduous and trying one, and his responsibilities large. He should be fairly paid and well appreciated by bank and dealers. Customers can help him along, and at the same time help themselves, by paying notes, making deposits, and calling for certificates of deposits early in the day.

The Receiving-Teller will find his duties greatly lightened by the adoption, on his part, of a thoroughly systematic method of the administration of his place. He stands at the gate of customs; and from all who pass over to him, for their credit on the books of the bank, cash, checks, drafts, coupons, or any kind of funds, he should require a carefully prepared accompanying description of the deposits made in the shape of deposit-tickets or credit-tickets, giving in detail a statement which shows of just what the deposit consists. These original tickets, after being carefully compared with the matter accompanying

them, and checked off, are filed away by the Teller, and they often become exceedingly valuable for reference, in case differences and misunderstandings occur as to credit dealings with depositors. In many

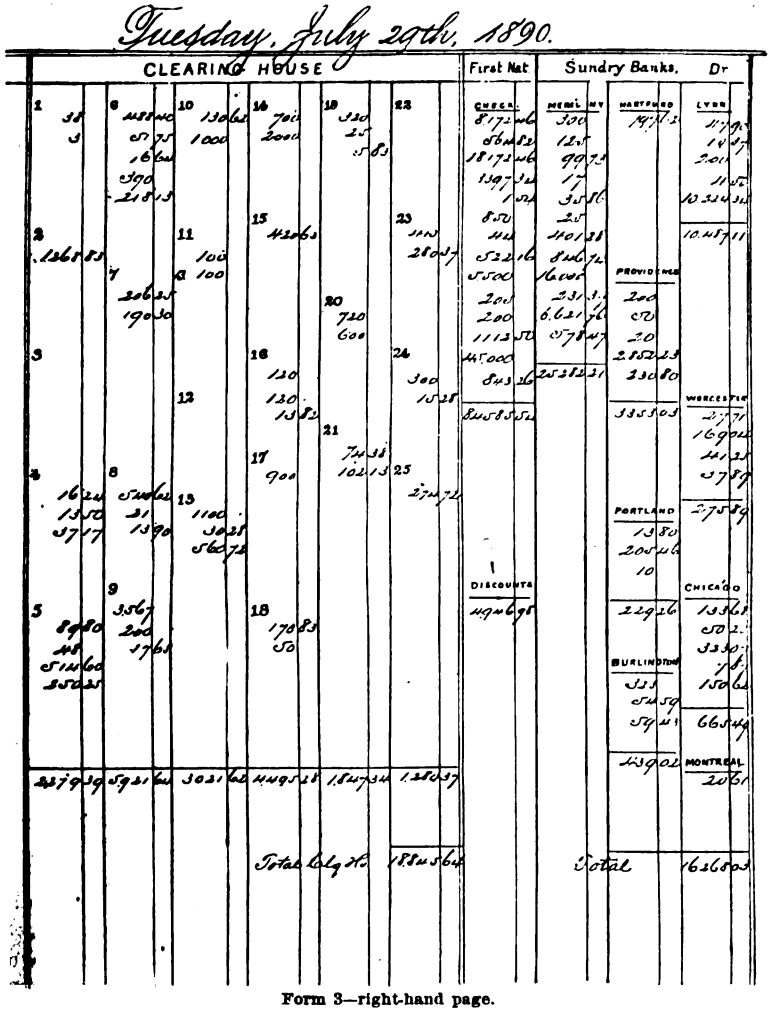


Form 3—left-hand page.

banks the Book-keeper makes most of his credit entries from these original tickets.

The Receiving-Teller needs but a single book so ruled as to enable him to record the amount of each deposit or other receipt with the name of the account to be credited, and also including an account with the Paying-Teller. In the form I give (Form 3, right and left-hand pages), which is a very well-arranged sheet, and furnished by a bank in a Clearing-House city, the disposition of the checks received from

depositors is shown by the charges to the several banks of the Clearing-House and to collection agents at several country points while the cash has been made up into round sums and given and charged to the



Form 3—right-hand page.

Paying-Teller. To this account with the Paying-Teller also the footings of the various other accounts are finally transferred and the agreement of its balance with the cash remaining on hand at the close of the day proves the correctness of all the entries.

While the Receiving-Teller is thus able to show on a single book the record of all his work he may nevertheless claim that he is required to make entries in more books than any other clerk in the bank, and make

his boast good by producing the numerous pass-books of the depositors. As these are so continually in the foreground in this department let us give them a little consideration. The familiar standard form of bank pass-book now in general use is probably about as well adapted to its use as any of the bank stationery, but the manner of using it can in many cases be much improved both by bank-clerk and dealer.

1. THE ENTRIES.

Let every entry be made neatly and correctly.

Their appearance in this respect is quite indicative of the character of the clerks who handle them.

Then Tellers and depositors should co-operate in the endeavor to have every deposit entered upon the pass-book at the time it is made.

If the dealer will *always* take the pass-book with him when he makes a deposit and carefully see that his deposit is correctly written in it before he leaves the bank, this point can very readily be lived up to.

It is an excellent plan to have a bank rule that no deposits or credits of any sort shall be entered upon pass-books except by the officer who makes the original credit entries upon the books of the bank, which officer is the Receiving-Teller. Where entries are made, for instance, by discount clerk—entries of discount credits—he may forget to complete the business by passing over to the Receiving-Teller corresponding credit tickets, and thereby bring the books of the bank into confusion. There have been instances of wilful neglect of the character last named, which have been one of the many methods by which bank irregularities have been carried along and covered up.

Where running accounts are kept with out-of-town depositors, who are often sending deposits by mail, and who seldom find it convenient to have their deposits entered on a pass-book, pass-books should not be issued; but, in lieu thereof, their mail remittances should be duly acknowledged, and an account current rendered at close of each month, just as is done in case of accounts with corresponding country banks.

2. WRITING UP AND BALANCING.

The most important thing that can be said under the head of pass-books is that they should never, if it can possibly be avoided, be allowed to run along month after month without being brought to the bank and balanced—verified with the books of the bank. Each month —say sometime during the first week of each month—the Book-keeper should bring to the Cashier a list of *all* the accounts which have not been verified by pass-books or acknowledged by letter, and the Cashier should then endeavor to secure the balance of the verifications.

The depositor should always send his pass-book into the bank just before the close of each month so that the bank shall have time to write it up and balance it. And the bank should invariably have all these books promptly balanced and ready for delivery on the morning of the first day of the month.

In a bank having many officers, it is a custom for all, or at least

nearly all, of them to assist in this monthly work of writing up the pass-books. The deposits, discounts and other credits of the pass-books, are supposed to have been promptly written in as they were made. But the writing in of the checks and the striking of the balances can only be done when the work of the month has drawn to a close, and it must therefore come, as the bank officers express it, "all in a heap," and all the clerks who have any spare time for the work must bend to it and do all they can; for, in every well-regulated bank, as I have said, all the pass-books which have been sent in must be promptly ready for delivery at the opening of business on the first of the new month.

Although the work must mainly be done under the pressure for time which I have indicated the bank officer ought to bear carefully in mind that it is his duty to write up these books in a legible and easily understood style, both as regards the entry of the checks upon them and the work of striking the balances. The depositors have a right to expect that their books shall be thus manipulated, and the bank which allows slovenliness and carelessness to creep into this portion of its clerical work is in danger of falling into a certain degree of discredit with its dealers.

The practice of entering the checks upon separate slips of paper, specially ruled and cut for the purpose, has, of late years, obtained in many banks. I see no particular objection to this custom; and it has its particular advantages, since it gives the bank officers a chance to work at writing up long lists of checks in advance of the return of the pass-books at the last day of the month, and also prevents the pass-book from being rapidly and unnecessarily filled with these details of charges.

3. PROVING AND DELIVERY.

Here we note a point of great importance relative to the management of the pass-books. Any of the clerks may write in them in this close of the month's rush, and may be allowed to strike the balances. But no pass-book should be delivered to the depositor by the Teller, through whose hands they are usually passed out, until the entering and the balancing has been seen by the Book-keeper, the balance checked off on his books, and some check mark, which the Teller recognizes, made upon the pass-book.

In some banks the precaution is taken to have all the pass-books sent occasionally, or even as often as the close of every month, through the hands of President, Cashier, or Director. to be by him carefully checked off by the books or trial balance-sheet before their delivery to the depositors. This plan had its origin in great bank defalcations, where the pass-books had been written up correctly, while the books of the victimized bank were being thrown by dishonest officers into a state of the utmost confusion in order to conceal current abstractions by the defaulting officers.

It is a matter of surprise that banks do not often and systematically

obtain from their individual depositors some formal acknowledgment of the correctness of these accounts rendered them by the banks.

Few banks neglect to secure from their corresponding banks acknowledgments of correctness of accounts as often as once a month; yet, in the matter of pass-books, few banks do otherwise than drift along on the plan of accepting silence as consent—no report as equivalent to an acknowledgment.

An experienced bank Cashier, located in New York State, adopts a very intelligent method in the management of his Depositors' pass-books; and I doubt not there are other Cashiers who are doing something of the same sort.

Not long ago this bank of which I speak, found that it had on its hands a suit of a depositor for quite a sum of money, based upon a claimed reponsibility on the part of the bank for an irregularity in pass-book and vouchers, which was of two years' standing. In all this period the depositor had received his pass-book and checks from the bank, and never, till the time of the suit, expressed a word of dissatisfaction with the balances shown and checks returned.

But, in the lawsuit, the depositor won, whereupon his bank introduced an excellent method which I would recommend to all banks. It set up the practice of returning with every pass-book a slip of this style, which printed voucher each depositor must fill up and sign:

H. F. JONES, Cashier.

NATIONAL BANK OF THE UNION.

Dear Sir:

We are in receipt of your Statement of account, with vouchers, to ....., closing with balance to ..... credit of $.....
100

The same have been examined and are correct.

.....

N. B.—Depositors are requested to sign and promptly return this form, with the blanks properly filled.

Form 4.

I have in mind a pass-book story or two, from real life in banking and from real life, too, that has passed under my personal observation, which point the lessons I have been giving under this head.

He came to the Cashier of the venerable ——— Bank, bearing in his hand an old unbalanced pass-book, the last entries in which had been a series of pretty good-sized deposits, made fifty years ago. The book had belonged to his deceased father; and somehow the son had got firmly imbedded in his mind the belief that there was still in the old bank a credit balance due that pass-book. The bank was a well-

regulated institution that kept all its old books, checks, etc., and without stopping to question the validity of so old a claim, it hunted up the old checks and books, wrote up the pass-book, and returned it promptly to the presenter with a showing that proved that nothing was due to either the past or the present generation on that book. One more, and showing an ever-present danger.

He kept a small account at ——— Bank. He was, as it turned out, a "bad lot." By the error of a hurried Receiving-Teller, a credit for a $500 deposit which belonged to another depositor was made upon his pass-book. At the end of the month the mistake was discovered by the bank, and it endeavored to right it. But the man of the wrong credit declared the money was his, swore to the lie that he made that deposit, and threatened to sue the bank for the amount. The badgered bank, lame because it had made a radical error, and at a great disadvantage because it was fighting a liar, finally concluded to pocket the loss and allow the stolen credit to the thief.

Although I started out with the statement that the ordinary form of pass-book was very satisfactory, I venture to suggest some improvements in their construction which in part, at least, are new, and I trust worth looking into.

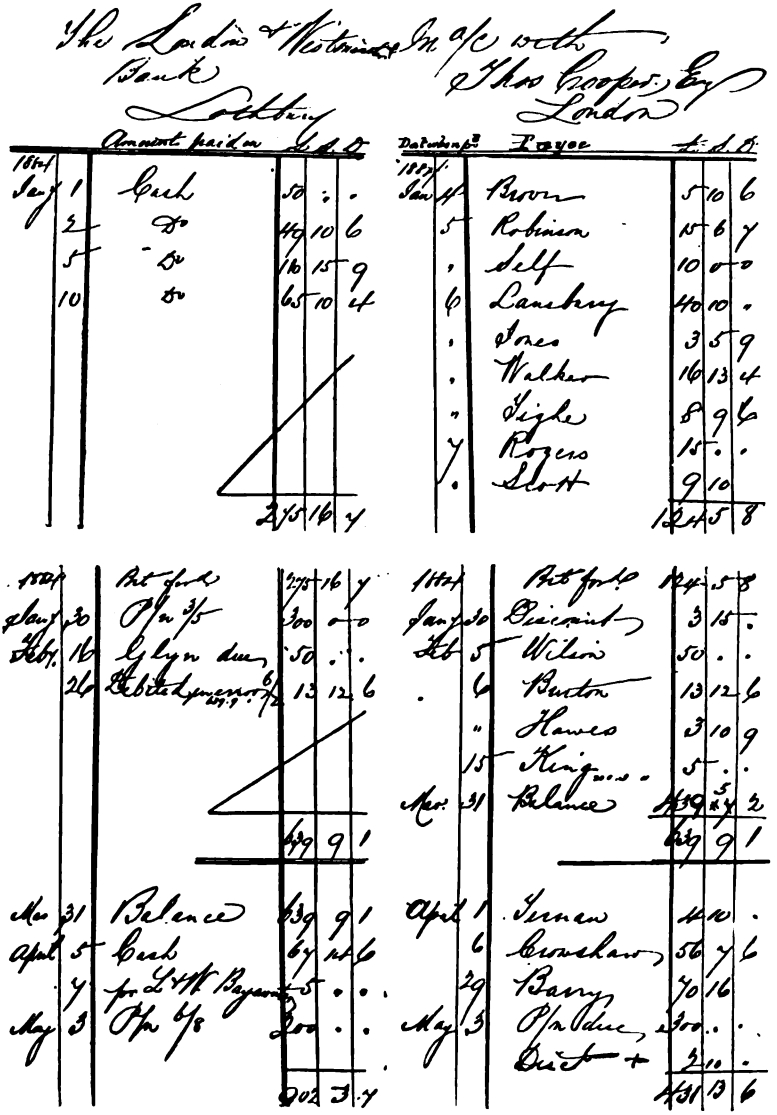
The practice of entering the debits—the checks paid—upon a separate slip of paper, the slip being returned loose with the checks at the end of the month, is one which I have deemed allowable on the score of its great convenience to the bank. Yet the separation of the slip from the pass-book is a decided objection, since it is, for this reason, likely to be lost or destroyed by the depositor, although it is an important record, and one that should be carefully preserved with the book. Here is a plan for remedying this defect:

Have the pass-book built in what might be termed a skeleton form —made, to begin with, with good covers, one single leaf inside (two blank pages), and a sort of scrap-book arrangement of margins, by which leaves could be added every month. On the proper page of the first leaf enter all deposits as they are made. Then, at the end of the month, "gluten" in, on the stub or margin which stands ready for the next leaf of the book, a second leaf, on one side of which has been entered beforehand, and at the convenience of the bank clerks, all the checks paid during the month. The book thus carried on will continually present a page ready for deposit entries, and a place for insertion of the written-up debit sheet.

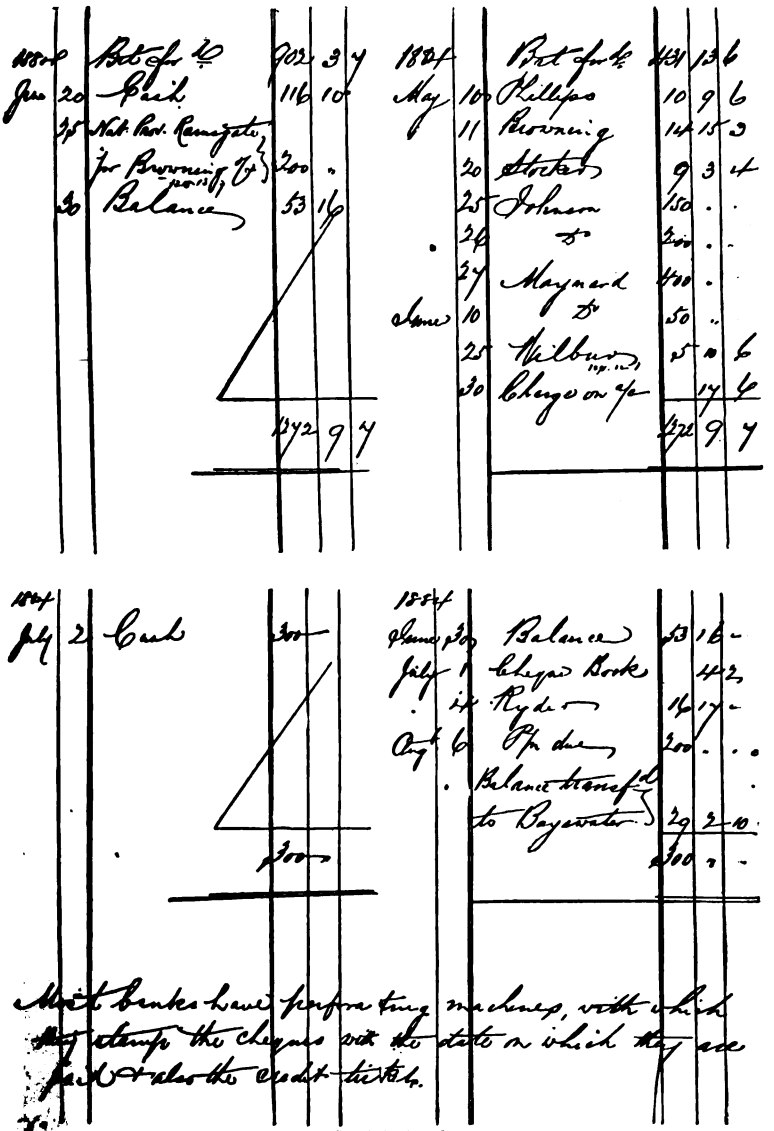
This plan will answer better than the one now in vogue, which requires the use of the separate and loose check slip.

But there is another new pass-book plan, which I consider an improvement over the one I have been describing. It is particularly desirable for active accounts in large banks:

Issue to every depositor whose transactions are many—who draws a great number of checks, and makes many deposits—two pass-books.



Form 5—left-hand page.



Form 5—right-hand page.

One shall be a credit pass-book, upon which all deposits are made as they are entered; the other a debit pass-book, upon which shall be entered at the convenience of the clerks as before, and so as to be ready for the depositor at the close of the month, or oftener if desired, all his checks paid during the month or other period, the balance resulting from the transactions recorded on the two books, being struck—figured out—on the credit pass-book, this last being somewhat in the nature of a principal pass-book, and the other being a sort of supplement to it.

I elsewhere give a description of the London system of banking and book-keeping, and have pointed out instances in which London banking methods might be copied in this country with advantage.

See Form 5, right and left-hand pages, on pages 54 and 55, for a *fac simile* of a London pass-book (prepared by a London bank officer), which is an exact reproduction of the entries in the form in which they would be made in such a book. We find some curious and instructive features. The writer became so much interested in the study of English novelties in practical banking as to make a resolution, if he ever visited Europe again, to look particularly into this department of business as conducted in the different countries with a view of comparing their systems of practical banking with those in vogue in this country:

This London book needs a few explanations. In the first place, my friend has cast a deep shadow on the fair fame of our London brother bank clerk by an error in bringing forward the balance of March 31, and by errors in the footings which follow it.

Let us hope that the L. and W. Bank discovered that error in the balance in time to save the £200 which it cost them.

Still, as a clear presentation to the eye of the appearance of an English pass-book our *fac simile* is very successful. Notice that it is the custom to balance such pass-books only once a quarter. It will also be seen that in it are recorded the names of the payees of the checks charged, and they are entered in the order of the dates of their payments—both very good ideas. Another novelty in this book, and one which can also be recommended, is its method of entering discounts. Under date of January 30th is an entry which means to state a credit of a promissory note for £300, due the 3rd of May which had been discounted for this depositor. Under the same date the depositor is charged with the discount on this note, amounting to £3 15s. On May 3d the dealer is charged with this £300 promissory note as it matured, and seems to have provided funds for its payment by giving a new note for £200 due 6th of August—see credit of May 3rd for that amount and charge of same date for its discount, £2 10s. The loan finally ends by the charge of the matured note, August 6. This pass-book is occasionally an overdrawn one, and on it there are charges for interest on overdrafts. See June 30th, charge on account of 17s. 6d.

The book is closed by a transfer of the balance to the bank's branch at Bayswater.

CHAPTER IV.

THE BOOK-KEEPER'S DESK.

Here we shall find modern ideas, change, and progress.

Probably many of my older readers will recollect when the printer did not help the Book-keeper as he now does in the work of making headings and listing names, and when every day called the Book-keeper to the long and monotonous task of writing the headings and lists of depositors' names in the cash-books.

To-day, in all our large and most systematic banks, all the "writing" in the chief books of the institutions, which was formerly done by the pen, is accomplished by the printer in such a neat and ingenious style and arrangement that the working in of ever-varying figures is left as almost the sole clerical task of the bank-officer.

It is now a matter of constant surprise to me that this neat and accurate use of type was so long delayed.

After the cash-book entries were made and proved came the posting or transferring of the debits and credits on each account to the bulky ledgers, and this too is largely done away with.

Very much of this saving of labor has come from the quite general adoption among city banks of the Skeleton Ledger as it is often called, or cash-book, journal and ledger combined; the "Boston system" as it is styled in New York.

This form of book-keeping originated in Boston about 1852, and as may be supposed, was the invention of a man whose prime idea in the matter was to save himself work.

A Mr. Lane, who was the Book-keeper of the old Cochituate Bank, got tired of writing the dealers' names over and over every day, and prepared a form with a wider page, whereby he only had to write them once in three days. With the natural pride of an inventor, he showed his draft of the new form to the Teller, Mr. J. W. Bailey, afterwards with the Bank of North America, who thought it a good idea, and suggested the improvement of putting a daily balance column between the rulings of the several days, and thus doing away with the "Balance Book."

Of course Mr. Lane accepted this important improvement. He revised his sketch, ordered his new book, and when he found how well it worked undoubtedly discarded his old ledger as others have done since.

With experience the form has been, in some cases, changed a little,

but the old books of the Cochituate Bank, still stored away, show the main idea to have been put in use at that time.

Possibly the failure of the Cochituate Bank may have had some influence in the matter, but whatever the reason may have been the system did not get into use in many banks during the first twenty years.

After that time, and while Mr. Charles O. Billings, now President of the Globe National Bank, of Boston, held the office of National Bank Examiner, largely, in fact, through his interest and advice, the Boston banks one after another adopted it, and it has rapidly extended to other points as its usefulness has become known.

A form of the Skeleton Ledger correctly ruled and printed is shown in the appendix in the back part of this volume. It is necessarily contracted in depth and does not show the book in full.

The full-sized leaf is 24 inches in length by 19 inches in width, and the book when opened takes a space upon the desk of about 40 inches in width.

The left-hand page begins with Monday, and the work of six days is on the open book—three days on the left-hand page and three on the right. The book accommodates about fifty accounts to the page, and the original line on which the account begins (the names being printed in the margin) is followed through to the end of the book. Quiet accounts—that is, accounts drawing but few checks—are placed between the more active ones, and spaces are left between the letters of the alphabet for new accounts to be written in as they are opened, more space being allowed for the active letters like B, C, H, M, R, S, and W, than for the others.

If a bank has three hundred accounts it would be best to use eight forms, placing bank accounts after the individual accounts, to be followed by the impersonal accounts.

After the book has been arranged for the business of the bank the balances of the respective accounts are placed in the balance column to the left of the day on which it is proposed to start the work, all the credit balances in *black* ink and all debit balances in *red* ink, Cash being treated as an account and entered in red ink. The footings of the two inks should agree, as they make up the trial balance. When this is done we are ready to begin the day's work.

The checks which are paid through the Clearing-House are entered in red or blue ink, to distinguish them from checks paid over the counter, in the two columns marked "Checks in Detail," and added up, thus furnishing the Teller's proof of the Clearing-House settlement. All checks paid over the counter during the day are entered to the respective accounts in black ink. At the close of the day's business all the short entries are carried into the columns—"Total checks" and "Total Credits"—the footings if the work is correctly done, agreeing with the work of the Tellers. The balances are carried forward, proved, and

the book is ready for the next day's work which goes forward from that time.

To the enthusiast in blank-books these large books with their many rulings of various colors are a "thing of beauty," and the Book-keeper with a taste for design and color can arrange his ruling so as to be pleasing to the eye as well as distinct and clear for the daily entries.

It adds to the certainty of correctly following an account across the wide page to have the cross-rulings, that is, the horizontal lines, varied in color. I have seen books with red, blue, and black lines one after the other all down the page, but it is not necessary to go to such an extreme. If every third line is made red or black among the usual blue lines it will be found quite enough.

It is usually more convenient to make the book of a size to accommodate six months' business, and for economy two books, or a year's supply, may be prepared at a time.

An old Book-keeper taking up this style of keeping his accounts may, as he finds his books filling up and being succeeded by new ones, object that he cannot readily look far enough back in his accounts and that matters on which inquiry may be made are too soon inaccessible or not easily found. For this reason and to supply information on some other points, banks using this style of book have at times felt the need of some sort of an index. Accounts pass into it and out of it, as in the rapidly passing months and years new accounts are taken on and dropped out; and, in the absence of an index, it is a difficult thing to trace the history of the rise and fall of any of them. These skeleton ledgers are very large books, for they are built to do a deal of work; yet they are soon gone through with—filled up—and, when full, are, of necessity, consigned to an unindexed grave in the archives of the bank.

An ingenious bank officer of New York has copyrighted a plan for permanently indexing these central record books; and, where his idea is adopted, the bank manager can have on his desk a book of moderate size, in which is to be found a key to his present and past list of depositors—a digest showing concisely when they opened accounts with the bank, when they may have closed them, what sort of accounts they were, and how the bank treated them in the matter of interest upon their deposits, accommodations extended to them, etc., etc.

Such a book will surely pay for the labor put into it when the sudden call comes for the information which it supplies. In some banks it might be advisable or more satisfactory to keep only the individual accounts on the Boston plan, and have an ordinary ledger for the other accounts. Here is a neat form of journal furnished me from an interior bank, from which the amounts would be posted to the ledger accounts.

Each of the forms on page 60 (Form 6, left and right-hand pages) shows a page, in brief, with transactions entered:

JOURNAL. Cash, Dr. } THURSDAY, July 24, 1890.

			*	
Bills Discounted. Brown	1,000			
Jones	2,000			3,000
National currency issued, 10, 10, 10, 20				4,000
Deposit account				30,000
Mercantile National Bank †				9,000
National Bank of Redemption †				3,000
Profit and loss. Exchange				10
Chemical National Bank. Lawson			500	
First National, Hartford. Smith			1,000	
First National, Meriden. Letter			2,000	
First National, Norwich. "			1,000	
Bank account				4,500
Cash, Dr				53,510

Form 6—left-hand page.

JOURNAL. Cash, Cr. } THURSDAY, July 24, 1890.

			*	
Certificates of deposit	100 100 50			*250
Mercantile National Bank †				11,000
National Bank of Redemption †				6,000
Deposit account				20,000
First National, Hartford. T. Brown			1,000	
First National, Meriden. T. Jones			2,000	
First National, Stamford. N. Mead, 1 Nat.	100			
F. Collins, "	100		200	
First National, Norwich. J. Peters, "	100			
S. Martin, "	400		500	
Bank account				3,700
Cash, Cr				40,960

Form 6—right-hand page.

* The two columns marked with a star are ruled perpendicularly with five fine lines, dividing them into small squares, one for each figure. In large Journals this is a good form, as it tends to prevent errors in footing by keeping the figures in a direct line with each other.

† We keep a separate book for our reserve agents, and transfer the footing to Journal. The Mercantile National Bank and National Bank of Redemption, entered in above form, are reserve agents.

The charges of Brown and Jones are notes due to-day, and are to be found on the Tickler.

The other charges are checks sent away for collection.

Under this method of making a full record of the checks sent away, on the books, a copy of the letter is not necessary. Those who prefer to keep a copy of letter can make full record of checks in letter, and charge it in the Journal in one item, as follows:

	First National, Norwich. Letter			500			

Our Deposit Ledger is a ledger and balance sheet combined. We enter deposits and checks direct, and enter footings in Journal as above.

Everything is an original entry in our system of keeping the books, thus keeping the chances of errors at a minimum, and saving much labor.

THE CONDITION OF THE BANK.

Under this, or some similar title, every bank which has its full complement of books will show its General Balance Sheet giving at a glance the exact condition of the institution.

Here, in a few condensed figures, are presented in a wholesale style the assets and liabilities of the bank, all of which can be, if the bank's book-keeping is what it should be, verified and fully explained in detail by reference to the various other books.

Some banks make it up twice a week—on days of Directors' meetings; in others, every day; and, in active banks, with large and complicated business, it is desirable that its daily preparation should be required.

Cashier, President, Directors—every body engaged in the work of running the bank, should every morning have before them this concise statement, showing the source from whence came every dollar the bank is managing, and also where every one of those dollars has been scattered.

With this before him the active Manager of the bank, be he President or Cashier, sees at a glance the result of the business right up to date, and by examination of his loan balance can judge whether he can prudently still further increase his loan or whether he has already taken on all the time paper he can safely carry with his present supply of funds. Thus armed he is ready to negotiate with borrowers intelligently.

He may also note just how the Expense and Exchange accounts are running, whether any apparent leaks or carelessness there need looking after; may see too, the Teller's report of cash and can observe whether the bank is getting loaded with unusable funds or whether on the contrary the Teller is getting pinched for currency.

The income accounts are also under his eye, the credit balances of Discount, and Interest, and he notes whether they show a good prospect for the next dividend or whether he must push yet a little harder to make sure of not coming short of the amount he wants to see there when the six months' period ends, and the bank must balance off its income and outgo and show a result that will please the stockholders.

Lastly, I will mention our Manager's scrutiny of the balances due to and from correspondent banks, and these are of great importance and require daily attention; for they are often in large figures and some transaction in every day is quite likely to hinge upon their condition and the questions of whether the bank is liable to be suddenly drawn upon heavily by a distant correspondent, or whether it has on the other side large idle balances at other points which should be more profitably employed.

The form I here present is a most practical and desirable one, and is one that can, without many changes, be applied to any bank. (See Form 7, page 62.)

The statement tells its own story quite clearly—at any rate so clearly that any junior bank officer who studies it carefully in connection with the various explanations of the methods and machinery of the other

departments of a large bank which are given by me in this volume, may understand every item of it.

DR. CONDITION OF THE BANK, ...*May 14th*,..... 1890. CR.

Bills and notes discounted	$2,920,111	61			Capital.....			$1,000,000	
U. S. Bonds with					Surplus fund....			400,000	
Treasurer U. S	589,000		$5,509,111	61	Profit and loss account.....			46,468	59
U. S. Treasurer..					National bank notes issued (this bank).....			529,980	
Comp. Currency red'n account..									
5 % fund with Treasurer U.S.			26,505						
Expense acct....			8,855	11	Sundry divid'ds.			1,643	25
U. S. tax acct....					Dividend No. 38.			1,060	
Uncol. interest..					Expense acct....				
Exchange acct...			269	13	U. S. tax acct....			1,325	
Premium acct...			48,000		Shareh'ld'rs' tax account.....			9,000	
BALANCE OF CASH, viz.:									
Gold cert. $45,000									
Gold Coin 79,578	124,578								
Silv., Nickels, &c.	76,122	14							
U. S. legal-tend'r notes.....	178,200				Discou't on bills and notes.....	$74,637	05		
Nat'l bank notes (this bank).....	3,560				Interest acct....	11,071	56		
Notes of other banks.....	29,262				Exchange acct..			85,708	61
Checks, &c.....	278,199	65	684,921	79					
DUE FROM OTHER BANKS:					DUE TO OTHER BANKS.....				
Tenth National Bank, N. Y....	129,641	89			Twelfth Nation'l Bank, N. Y....	202,389			
Eleventh Nat'l Bank, N. Y	210,981	02			Farmers' Nat'l Bank, Balto....	7,577	76		
Farmers' Nat'l Bank, Phila....	2,457	71			Pacific Bank, San Francisco..	4,398	66		
Fourth Nat'l Bk. Portland, Me..	2,948	72			Sundry places...	1,579	13		
Fifth Nat'l Bk, Providence.....	7,471	05			Fourteenth Nat. Bank, N. Y.....	71,284	74	287,224	29
Sundry places...	62,573	53	416,023	92					
					Due to depositors.....			2,331,276	82
			$4,693,686	56				$4,693,686	56

Form 7.

To illustrate more fully—here is another form of a General Balance Book. This is from a bank outside of the reserve cities. (See Form 8 below and the itemized explanation following it.)

1890.	Dr. *January 28.*		Cr.	
United States Treasurer (Government Bonds)....	$300,000	00		
United States Treasurer (Reserve).....	13,500	00		
Bills Discounted.....	647,816	36		
Bills Receivable.....	.....	..		
Mercantile Nat'l Bank, New York (Reserve)....	79,611	87		
National Park Bank, New York (Reserve).....	44,256	60		
Hanover Nat'l Bank, New York (Reserve).	25,992	85		
National Bank of Redemption, Boston (Reserve)	6,092	55		
Expense Account.....	.....	..		
Cash Account.....	56,187	11		
Bond Account.....	19,000	00		
Suspense Account.....	.....	..		
Capital Stock.....			$300,000	00
Surplus Fund.....			150,000	00
National Currency Issued.....			270,000	00
Profit and Loss.....			3,048	81
Undivided Profit.....			16,034	48
Certificates of Deposit.....			11,521	05
United States Tax.....			1,327	28
Dividends Unpaid.....			620	00
Non-Resident Tax.....			.....	..
Foreign Banks (Balance).....			37,491	23
Deposit Account.....			402,414	49
	$1,192,457	34	$1,192,457	34

Form 8.

A clear explanation of the itemized accounts included in this General Balance Sheet is also given in the following paragraphs under the headings "Assets" and "Liabilities":

Assets.

United States Treasurer (Government Bonds)..... $300,000.00

The bonds are held by the United States Treasurer as security for $270,000 of circulating notes.

United States Treasurer (Reserve)..... $13,500.00

This amount is 5 per cent. of the amount of circulation, and is held by the Treasurer for the redemption of worn and mutilated circulation of this bank.

Bills Discounted..... .....$647,816.36

This is composed of commercial paper and other notes, with bonds, stocks etc., as security, discounted by the bank.

Bills Receivable.....

This account is sometimes charged with long-time paper received in settlement of notes previously held, and which were not paid at maturity in consequence of failures, assignments, etc.

Mercantile National Bank, New York (Reserve).....$79,611.87

National Park Bank, New York (Reserve)..... ...$44,256.60

Hanover National Bank, New York (Reserve).....$25,992.85

National Bank of Redemption, Boston (Reserve).....$6,092.55

These banks are all reserve agents approved by the Comptroller of the Currency. The total amount on deposit with reserve agents, except such portion as is legally necessary for reserve, is drawn against for the daily requirements of business.

Expense Account..... .....

To this account is charged payments for salaries, rents, etc. It was closed December 31, 1889, no entries having been made since that date.

CASH ACCOUNT.....$56,187.11

Is cash on hand in the bank, and includes the lawful money reserve.

BOND ACCOUNT.....$19,000.00

Represents investments of the bank in bonds of railroad companies, etc.

SUSPENSE ACCOUNT.....

This account represents such items as are in doubt, but which will probably be paid in time, such as past-due commercial paper, etc.

Liabilities.

CAPITAL STOCK.....$300,000.00

Represents the amount actually paid in by the stockholders, and is an obligation of the bank to them.

SURPLUS FUND.....$150,000.00

Represents the profits of the bank over and above those needed for expenses and dividends, credited up to this account from time to time since the organization of the bank, and is an amount in which the stockholders would participate if the bank was wound up, or in part if the Directors should vote to pay a portion of it in the form of a dividend.

NATIONAL CURRENCY ISSUED.....$270,000.00

Represents the amount of circulating notes received from the Comptroller of the Currency and issued by the bank, the same being 90 per cent. of the amount of United States bonds on deposit with the United States Treasurer as security for the same, 90 per cent. of the amount of bonds being all the currency allowed by law.

PROFIT AND LOSS.....$3,048.81

Represents the amount of earnings from discount of commercial paper and notes secured by collaterals, profits on items collected, and exchange received on drafts issued against deposits with reserve agents (New York or Boston) since December 31, 1889, when the accounts of the preceding six months were closed, and when balance to the credit of profit and loss account was transferred to UNDIVIDED PROFITS.

UNDIVIDED PROFITS.....$16,084.48

Represents profits, carried from PROFIT AND LOSS account, in excess of what was required for losses, expenses and dividend of January 1, 1890. It is practically the same as SURPLUS FUND, and, if added, would make that amount $166,084.48.

CERTIFICATES OF DEPOSIT.....$11,521.05

Represents certificates issued by the bank for money deposited. They are issued generally to those who keep no regular bank account, and who temporarily deposit funds for which they have no immediate use.

UNITED STATES TAX.....$1,327.28

Represents the amount of United States tax on circulation for the six months preceding January 1, 1890, and not yet paid over to the Government.

DIVIDENDS UNPAID.....$620.00

Is amount of last dividend which is still uncalled for by the stockholders.

NON-RESIDENT TAX.....

To this account is charged the amount paid to the Town Treasurer for tax on the shares for stockholders who reside out of the State.

FOREIGN BANKS (Balance).....$37,491.23

This is the amount due to banks out of the city for whom the bank has made collections in excess of amount due from banks that make collections for it.

DEPOSIT ACCOUNT.....$402,414.49

Is the amount due to depositors having accounts with the bank.

All these books as well as the smaller blank and memorandum books of the bank, and the check books also, should be made in the neatest style and of the most approved forms. It costs but a trifle more to have these things prepared on excellent paper, with good binding and printing, than it does to get them up in a slovenly manner. Good methods and neatness of manufacture in these properties of banking reflect credit upon the management of the institution and the working habits of its officers. Each department through its proper officer should see to it that the special blank books regularly in use are not

allowed to run down too low in stock—that time enough is allowed the stationers of the bank to properly manufacture and season them.

An excellent manner of covering this latter point is for the officer using check and other blank books to make a memorandum on the last blank page of the last book he has on hand in stock to the effect that it is the last one on hand, which memorandum when he comes to use that book, will serve as a reminder that others must be ordered of his stationer.

ASSORTING AND CARE OF CANCELLED CHECKS.

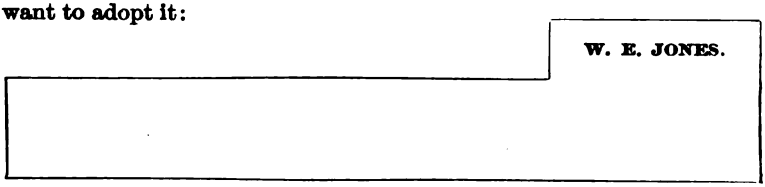
The paid and charged checks and vouchers are properly in the care of the Book-keeper so long as the bank retains them and should be kept nicely assorted and ready for reference at a moment's notice.

There is no work in the bank which ought to be done with more system and care than this work of assorting cancelled checks; for mistakes in assorting cause great annoyance and may lead to worse troubles.

If the Book-keeper does not himself assort his checks, work of this description should be put into the hands of clerks who understand well the names and styles of the various checks which are regularly drawn upon the bank, and who are skillful and systematic in their ways of work.

I have been shown a very good application to the drawer in which banks assort their paid checks. Pieces of thick card-board are, in this plan, cut a little longer than any checks are likely to measure; and, on the top of each end of these boards, the name of a bank depositor is written or printed.

Here is a form of this simple little contrivance, and I give it here because I believe those bankers who haven't it already will at once want to adopt it:



The use and advantages of these paste-boards must be readily seen. They are placed as dividing lines in the check-drawers, between each customer's checks, and the names on the wider end of the board by showing clearly where the various checks are, have enabled the sorter to easily classify them, and will enable the Book-keepers or other clerks to readily find them.

In another check-drawer arrangement, which I have known and which certainly has the merit of wearing well for it has been in use for years, the division strips are made of little pieces of hard-wood board, with the names of the various depositors affixed to the upper edge of the board by the use of printed stickers. The difficulty with this plan

was that the drawer was made very heavy by the weight of the necessarily rather thick division boards.

REPORTS AND RETURNS.

If the Book-keeper does not himself make up the various returns which are called for, both under the National Bank Act and, in the case of State banks by their State laws, he must furnish the figures which are needed to make them and should understand the forms on which they are made up.

It is my opinion that it would be a very excellent plan for every officer employed in a National bank to learn how to make out all its returns.

There are few better ways in which to learn how the machine runs—to acquire a complete knowledge of the philosophy of banking, and an intimate acquaintance with its methods and machinery—than this of studying how to make out these returns.

An able young bank President, who was new to the methods of National banking, but not new to the subject of finance, in entering, not long ago, upon his new duties, took the needful blanks and the books of his bank, and ciphered, and wrote, and studied, till he was able to make out from original sources all these complicated returns, without the aid of any of his subordinates. A President disciplining himself in such a way as this is on the road to success as a chief executive.

Beside the returns or statements of condition which are mainly a copy of the General Balance-Sheet of the bank there are reports to be made to the Clearing-House—when located where a Clearing-House exists — and reports which are a basis for taxation, or for official statistics.

Of this nature is the Return of Circulation.

In order to enable the United States Treasurer to assess the duty upon circulation, which is one-half of 1 per cent. every half-year upon the average amount of each bank's notes in circulation, the Cashier of a National bank must, within ten days from the first of January and July of each year, make a return under oath to the Treasurer of the United States of this required circulation average. A bank not promptly making this return is liable to a penalty of $200. But it is not probable that the Government would enforce this penalty for any slight accidental delay. It was put into the Bank Act for the purpose of punishing wilful negiect. This circulation return is made up in the usual manner of obtaining an average by adding the different amounts which the bank has recorded each day as the amount of outstanding circulation and dividing this sum by the number of days in the six months.

The Bank Act formerly required the banks to make a semi-annual return to the United States Treasurer of the average amount of capital, beyond that invested in the United States bonds, average amount of

deposits and average of circulation. This was when the banks were under a tax upon these three items, which they have now been relieved of with the exception of that upon circulation. The old law demanding these three returns has not actually been repealed, but it has become a dead letter because the object for which it was enacted has passed away.

The President or the Cashier must make oath to all these returns to the Treasurer or the Comptroller and this is an added reason for their being carefully prepared.

In order to be always ready to do this work in the most correct and prompt manner, a book arranged to give quick and clear service in the work of making up all these statements is a valuable aid to the Book-keeper.

I here give a very concise and handy form (see Form 9) of a book specially devoted to the work of preparation for making out these returns, which under the best system is written up daily and which, with some few variations, such as will readily suggest themselves to any Book-keeper or Cashier, can be adapted to the wants of any bank, large or small, in city or country:

	1	2	3	4	5	6	7	8	9	10
	Loan.	*Specie.*	*Legal-Tenders.*	*N. Y. Balances, Reserve.*	*Due from Banks and Bankers, including bills of other National Banks.*	*Due to Banks and Bankers.*	*Deposits and Dividends unpaid.*	*Outstanding circulation.*	*Net Deposits upon which reserve is held.*	*Reserve, including 5% fund.*
1	$3,700,700	$77,200	$54,100	$119,600	$25,000 264,300	$235,200	$1,057,900 3,700	$510,600	$1,061,600	$250,800 26,500
2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

Have 31 lines deep, one for each day.

Form 9.

I consider this book an absolutely indispensable one, though I find many banks manage to stumble along without it—as, in fact, they do without many other bank books, which I deem necessary to the proper administration of the internal economy of a bank.

This book should be neatly and strongly bound up in quarto form, and the printing in it should be of a clear and well-arranged character. Have the book made thick enough to last some years; and, when obtained, see that the needed entries are made in it every day.

It will prove a great satisfaction to bank Managers, etc., to see this book promptly written up to date; and, thus kept, it will be a source of satisfaction as well as of valuable information.

The figures on the left are those of the days of the month, and it should also have, for convenient reference, a similar column on the

right. The figures at the head of the columns I have placed there for the purpose of indexing my explanations.

(1.) Represents the entire loan of the bank — its investments in notes, bonds, etc., etc.

(2.) The gold and silver it is carrying.

(3.) Its legal-tenders on hand.

(4.) Its balances in New York banks which are its reserve agents.

(5.) Amounts due from other banks and bankers, other than its reserve agents, and the bills it holds of other National banks. These, under Government rulings, count in carrying reserves, as money due from other banks.

(6.) All amounts due banks and bankers.

(7.) Deposits and dividends declared, but unpaid. Under department rulings, dividends unpaid must be counted in figuring reserves on deposits.

(8.) The entire amount of the bank's circulation outstanding—those bills on hand, either unsigned or in the Teller's cash, having been deducted.

(9.) Net deposits upon which reserve must be held.

(10.) The actual amount of reserve the bank is holding, all around, including, of course, its 5 per cent. fund in Washington.

From a book thus kept, Managers can, at a glance, see how their banks are running, the Clearing-House returns can be most speedily made up, and also the semi-annual circulation tax returns; and, at the same time, it is a valuable aid in the work of making up Comptroller's returns.

I must hint in this connection that it is exceedingly desirable that all bank returns should be made in the promptest manner, and bank managers should see to it that the requirements of the law in this regard are promptly lived up to. As it is now, there are banks which are slow in forwarding these statements, when called upon by the Comptroller, and slow in getting the abstracts into the papers after the returns have been made.

The mention of the papers reminds me of a point which is of interest and that is that these bank returns as they are made to the Comptroller of the Currency, and published in abstracts in the newspapers, are of precious little value to the investor who is searching for solid information relative to the condition of this and that bank, whose shares he is thinking of buying.

It is well that these bald and dry returns should be printed, since nothing better, in their way, so far, has been devised, but they leave much still untold and uncertain regarding the condition of the bank.

The key to the situation of a bank is the *real* condition of its loan.

The loan figures are the great and all-absorbing figures of these statements. And it is because these statements make no attempt to give any real inside view of the merits and demerits of the living loan,

that they convey so little valuable information. I can hardly see how we are to expect anything more. No bank wishes to advertise its weakness. And, if a bank is in a bad way, it will be the last institution to do this. Some of the most cheerful bank exhibits have been made the day before the bank making them has given up the ghost.

Our National bank returns are not the only ones which get into the papers, for this public showing is considered a good thing the banking world over.

And there is not much unlikeness in the form of returns even from opposite sides of the globe. Here are a couple of "foreigners":

First, a Spanish bank return of to-day (see Form 10); yet, there it is again—a big loan, about which we are told nothing—can know nothing.

Assets.			Liabilities.	
	Pesetas.	*Pesetas.*		*Pesetas.*
Cash	55,553,623.70	60,432,167.93	Capital	150,000,000.00
Bullion (gold and silver)..	4,878,544.23		Reserve fund.....	15,000,000.00
Cash at branches and ag'c's		94,520,246.74	Notes in circ'n at Madrid	349,053,475.00
Securities at Madrid.....		585,160,697.13	Notes in circ'n at br'nches	
Securities held at branches		108,653,044.43	Deposits in cash at Madrid and branches.....	36,360,758.15
Landed and other property		7,319,771.78	Accounts current at Madrid and branches.... ..	159,369,656.43
Amount to the credit of the Treasury for payment of interest and redemption of "billetes hipotecarios" and obligations of the Bank and Treasury		.. ..	Dividends.....	2,246,049.91
			Profit and loss account....	17,846,087 73
			Sundries.....	66,388,681.62
Redeemable debt, at 4 per cent.....		12,222,075.00	Nation'l Treasury—results of red'mable debt's issue	43,068,809.40
National Treasury—acct. of interest on perpetual debt, 4 per cent.....		3,761,212.18	Stock to be changed in redeemable debt, at 4 %....	13,271,252.50
			Credit on abroad by agreement of 28th May, 1883..	19,444,444.45
Total.....		872,069,215.19	Total	872,069,215.19

Form 10.

Then another—a return of the condition of the Bank of Moscow—(see Form 11) which I obtained in London, and to which I call attention for the purpose of showing that the drift of the banks of this country towards a habit of paying interest upon deposits is nothing new in banking — that it is everywhere in Europe a common thing with stock banks.

This practice, which I personally observed in London, extends from London to Moscow.

The rouble of Russia—the standard rouble, which is the silver one —is of 75 cents value. The capital of the bank of this statement is therefore three million dollars.

But the statement shows that it indulges quite extensively in the luxury of hiring deposits, and does, as a result, a large business on its comparatively moderate capital—a business whose extent is clearly shown in the loan figures.

A curious item in this return is that of protested bills, which amount

to about $75,000, showing the bank has been passing through some very hard days.

MOSCOW DISCOUNT BANK, MOSCOW.

Assets.		*Roubles.* Chps.	Liabilities.	*Roubles.* Chps.
Cash in hand		622,341 84	Capital paid up	4,000,000 00
Cash at bankers		1,070,420 47	Reserve fund	647,971 78
Treasury bonds at short dates		10,000 00	Deposits:	
State bank receipts		9,732 42	(*a*) In current accounts	6,082,747 48
Bills discounted:			(*b*) At call and short notice	130,587 42
(*a*) Bills with several endorsements	6,287,864 93		(*c*) For fixed periods	3,296,637 53
(*b*) Bills with one signature against additional security in stocks and shares	623,400 00	6,911,264 93	Bills rediscounted	1,014,506 78
Advances on securities		5,729,394 20	Special account with State Bank against bill depot	50 00
Government and other stock bearing interest		1,469,117 30	Foreign account	658,529 44
Foreign bills		310,117 66	Unclaimed account	14,123 50
Protested bills:			Interest on deposits	80,207 97
(*a*) Bills with several endorsements	44,102 35		Interest, commission, etc., for 1884	811,225 01
(*b*) Bills with one signature against additional security in stocks and shares	60,000 00	104,102 35	Sundry creditors	41,250 65
Mercantile expenses to date		139,922 92		
Furniture and fixtures		6,734 50		
Sundry debtors		347,138 97		
		16,780,287 56		16,780,287 56

Form 11.

The English bank returns are made after the same general form as those of the National banks of this country; or, it might be more proper to say that our returns, like very many business ideas, are copied after the English. There was a time when the Bank of England, which now publishes a weekly statement of its condition, made no public showing of any description whatever, and would not even do so when called upon for such by the Government and Parliament. The English authorities are now exceedingly strict in requiring that returns of the banks shall be made in regular form and at the right time. All limited English banks are required to post in their registered offices on the first Monday of February in each year a complete statement of their liabilities and assets. An instance occurred of recent date where a London bank was arrested, as it were, and dragged into the Municipal Court at Westminster for violating this return law (Act of 1862), and though the bank proved that it had posted in all its offices at the date required balance sheets giving more than the information demanded by law, but not in regular form, it was fined £5, and each Director

fined 40 shillings, one-half the penalties going to the informer, who in this case happened to be a man who was endeavoring to levy black-mail upon the bank, professing to have information of value which he would sell to them for £1,000.

I found also that they had a similar law in force for the savings banks and every bank of this sort was, by law, obliged to post in its rooms, as often as once a week, a statement of its condition—a regular trial balance of the concern—which was placed where the public could read and study it.

In some quarters in this country, it is the custom of savings banks to post statements after the English custom, and it might possibly be well to have in force a law requiring such action on the part of all savings institutions.

It might also be well to have statutes requiring savings banks to make returns to the press of abstracts of their condition after the National bank style.

CHAPTER V.

THE COLLECTION DEPARTMENT AND MESSENGER.

The officer at the head of this department is naturally termed the Collection Clerk and takes charge of the paper which the bank receives for collection for account of its depositors, and in some banks will have delivered to him for collection the "foreign" discount notes also. The duties of the position demand a man with a clear head, a good capacity for reckoning and writing, and, withal, a man of pleasant address and good judgment; for, in the discharge of his work, he is brought in direct contact with the bank's dealers and the general public. There are few positions in a bank more desirable for the young man who wishes to learn banking. Here he will find the best of opportunities for perfecting himself in a knowledge of all the laws and customs relative to promissory notes and bills of exchange—all the rights and duties of parties to such papers.

In order to safely get through the work of his department, it seems almost imperative that he should inform himself thoroughly on all the points last named; and, in order to do this, he will be naturally led from the study and practice before him to a careful examination of the books which are specially devoted to giving information relative to notes and bills; and, to keep posted up to date, he should read regularly a live periodical which deals with practical banking subjects.

His material, the grist which he is to work through, comes to him generally carefully invoiced by the bank's correspondents and its depositors. That is, it *should* be carefully invoiced, but sometimes loose practices prevail among banks and depositors relative to this item of the banking business. The dealer, who is very sure to bring his pass-book with him when he comes to the bank to make a deposit, and who is never satisfied unless his deposit is at once duly entered to his credit on this pass-book by the Receiving-Teller, as it should be, will at the same time fall into the habit of flinging his collections into his bank without accompanying them with vouchers, letters or memoranda of any sort.

The only proper way for him to do his collection-depositing business is to send his maturing paper to the bank in a formally-written letter, of which he has retained a copy, and it is well for the bank to give him formal acknowledgements of these letters, stating that they were received with enclosures as described.

In cases where a careless way of leaving collections is practised

complications may in time arise. The collection paper, which might have been left unlisted and unacknowledged at the bank, may be lost or mislaid. When thus failing to appear the bank will be confident it was never left with it at all, while the depositor is equally sure that he deposited it. What if the paper never turns up to settle the dispute?

Another point which should be covered when the paper is taken on is the question of whether, if not paid at maturity, it shall be protested.

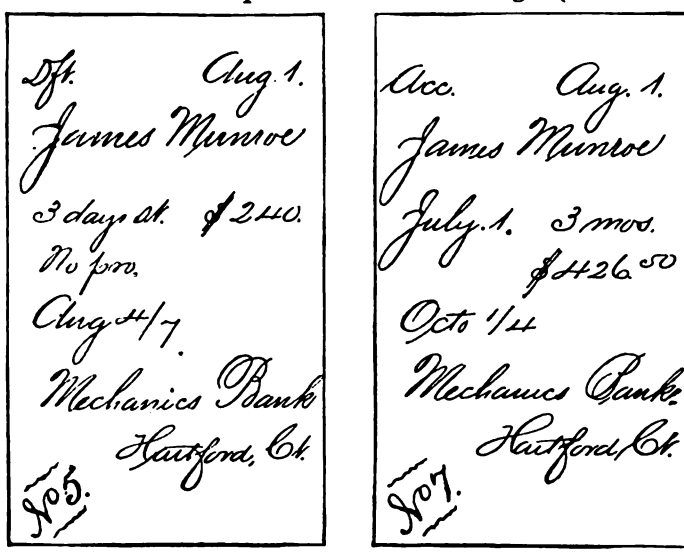
Quite possibly the owner would not care to have the piece saddled with protest fees which may have to come from his own pocket, but unless he has guarded against this contingency by "no protest" instructions when he deposited the paper, the bank has no discretion and to the notary it goes to the dissatisfaction of all parties—except the latter.

But we may imagine that the notes and drafts have come into his hands with proper description and instructions from their owners, that he has receipted on the letters for the items which he has taken and is ready to make the records which ensure a safe management of his department and a correct disposition of the proceeds of his collections.

His first record is of those drafts which are to be taken out by the Messenger and presented for acceptance or payment. This is a simple matter, the record being brief, but including always a memorandum of the owner of the paper so that it can be properly credited when the Messenger returns with the funds representing paid and delivered drafts.

Those pieces which are not to go into the hands of the Messenger, because not yet due, or which the Messenger brings back from his trip accepted and due in the future, will be covered.

Given below are two specimens of note-covering. (See Form 12.)

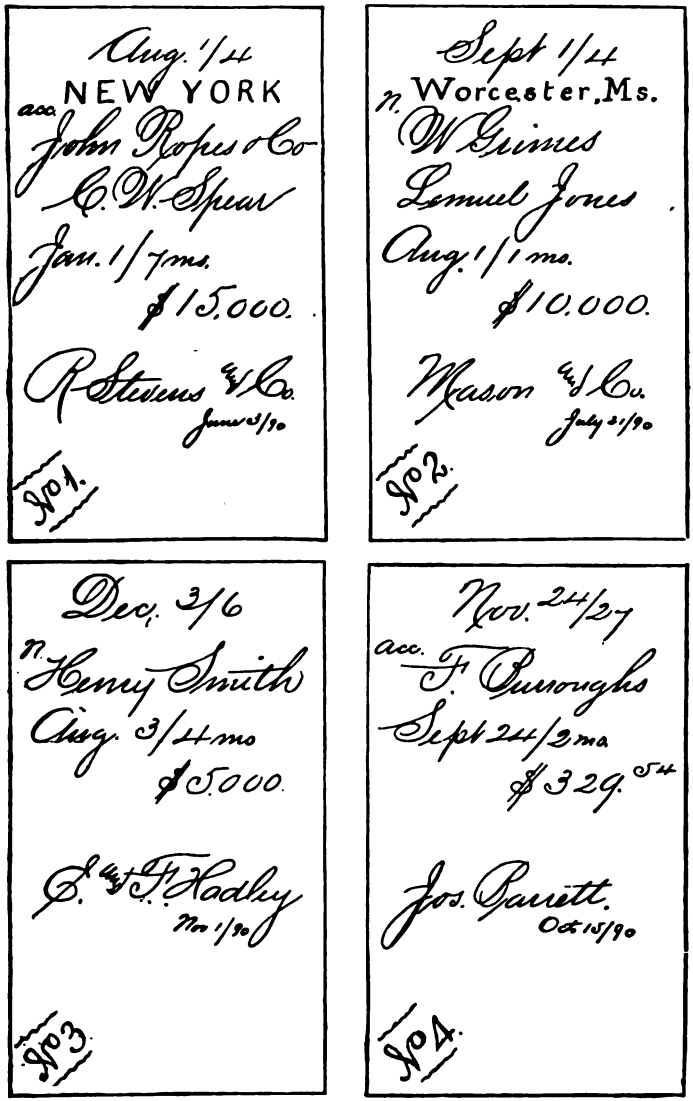


Form 12.

The above note-covers (5 and 7) are of a sort which I have seen

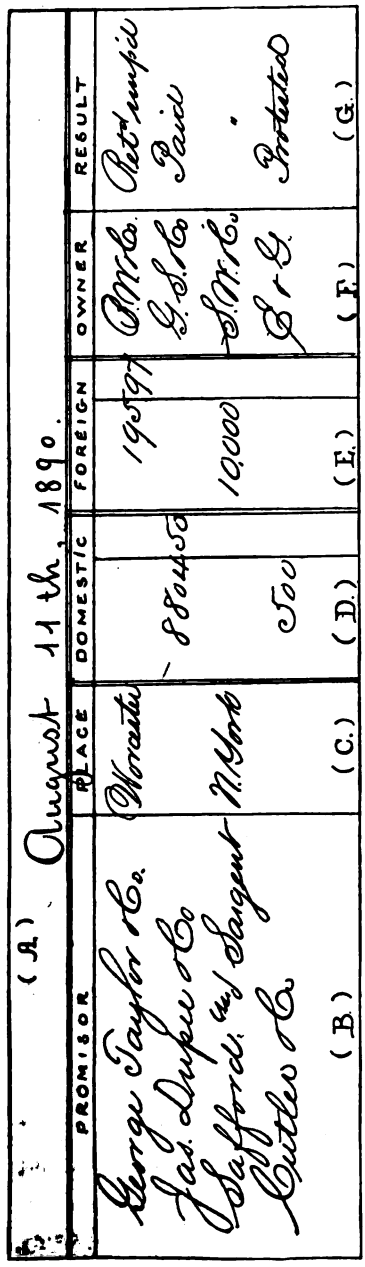
in use in a large bank, and which I here give as specimens of covers that are not well arranged, since on them the points most important are set down in the least prominent place.

The forms below comprise the best I have found in use in banks:



Form 18.

(1.) A cover of an acceptance due out of town. (2.) Cover of a note due out of town. (3.) Cover of a note due in place where the bank is located. (4.) Cover of an acceptance of same character.



(A.) The time when the under-listed paper becomes due. (B.) Names of the promisors or acceptors. (C.) Place where payable. (D.) The amounts. (E.) The same (the first being the in-town paper; the second the out-of-town). (F.) The initials of the owners of the paper. (G.) Its fate: paid or unpaid, or withdrawn, etc.

Form 14.

On each of these covers there are found: first, the time and place of maturity; next, the name of the promisor or acceptor, with the date, time and amount of the paper immediately under; and, below all, the names of the owners of the paper.

On covers of the paper payable out of town all the names upon the paper had better be recorded.

The first and most important duties coming up in covering a note are to get the time and place of payment rightly noted. Mistakes here are the mistakes that are very often leading banks into serious trouble.

Some banks do not use covers but keep the collection paper in large pocket-books in the manner I describe in the chapter on discounting.

Whether covered or not they must be entered on a Collection Record which is the main book of the department. Here they are entered in the order of their maturities. I know of no better form for this book than this (See Form 14) which is a copy of one long in use in a bank doing a very heavy collection business.

It is an excellent plan to record the notes direct from their face, since an after-comparison with the covers will then prove a safeguard.

The space to be left on the record book for the coming months and days is to be gauged, of course, by the dimensions of the collection business of the bank. Some banks may not

have more than one or two collection notes due a day. I have known a bank to have 1,200 maturing in one day, 80 of which were given to the notary to protest.

As the paper matures and is brought out for payment a systematic Collection Clerk will promptly see that every one of his covers is received back from the Receiving-Teller (or Note-Teller) and discharged from this record book; and he cannot properly discharge these covers until he has seen by the entries upon the credit books of the bank that those which are reported paid have been duly credited to their owners.

The utmost care should be taken that no cover gets treated as discharged and settled and finally filed away with an unpaid note inside it. It is hard to imagine a more troublesome mistake than that might prove to be.

Several forms of notices are included in the stationery belonging to this department and the manner of attention to such minor points as these often clearly shows the character and style of the administration of the affairs of a bank.

In the first place, they should be neatly and tastefully printed, on good paper of the right shape and size, and should be clearly and correctly expressed.

I here give some very good forms (See Forms 15 and 16) in actual use by one of our best-managed banks, and which, with trifling changes, to suit banks having only one Teller, etc., can be adopted by any bank:

FIRST NATIONAL BANK OF BOSTON.

No. 140 STATE STREET, ...189

.....

.....

Your Note for Dollars Cents is due this day, and you are requested to pay the same to the PAYING TELLER.

J. JONES, Cashier.

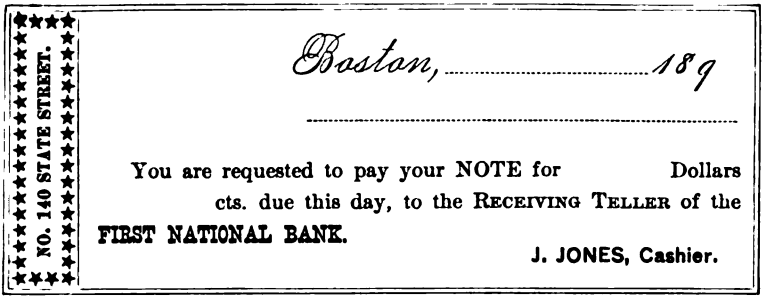
NO. 140 STATE STREET.

Boston, ...*189*

Please call at FIRST NATIONAL BANK and accept a Draft by.....upon you at.....for.....Dollars.....Cents.

J. JONES, Cashier.

Form 15.


No. 140 STATE STREET.
Boston, ... 189
You are requested to pay your NOTE for Dollars
cts. due this day, to the RECEIVING TELLER of the
FIRST NATIONAL BANK.
J. JONES, Cashier.
No. 140 State Street.
Boston 189
You are requested to pay your ACCEPTANCE for
Dollars cts. due this day, to the RECEIVING TELLER, at the
FIRST NATIONAL BANK.
J. JONES, Cashier.

Form 16.

If you are so located as to be obliged to notify parties who are not entirely familiar with the routine of banking business you may wish to add to your notice (as per Form 17) the point of days of grace, which relic of old times is still a cause of much confusion:

THE FIRST NATIONAL BANK,

LINCOLN, MAINE.

To .....

Your ..... *for* ..... *Dollars*

becomes due at this Bank 18

which is the last day of grace.

BANK HOURS: From 9 A. M. to 12 M.
From 1 P. M. to 3 P. M.
Saturday afternoons not opened.

J. F. JONES, Cashier.

Form 17.

Below is a curiosity in the shape of a very old-fashioned bank notice, which shows how these things were gotten up in the days of our fathers:

Boston, Nov. 17, 1821.

Your note for Dollars and Cents, lodged for collection,
and you are requested to pay the same.

GEO. HOMER, Cashier.

Next after having a good form comes the duty of filling it out correctly and delivering it properly both as to place and time.

Banks are not, by law, obliged to send notices to the makers of maturing promises held by them for collection or under discount. Yet the custom of doing so is, in the States, universal, and about as binding as a legal statute.

When a party signs a promise to pay, he should be careful to make the promise payable at some specific point ; and, at its maturity, make himself there, money in hand, to pay it, notice or no notice.

But, the bank having undertaken to do this notifying, and placed the makers of the paper in expectation of being told when and where to meet their notes and acceptances, should attend to the business carefully and promptly.

Any failure to do so is neglect and carelessness, and is likely to bring to note-signers and banks annoyance and perhaps loss.

There is one system of making out and delivering these notices that has many points in its favor, which is to have all the notices made out at the time the paper is received into the discount and collection departments, without regard to the fact that the time of maturity is yet a great way off. Keep the notices on file in the order of their maturities and deliver them as the maturities draw reasonably near. This plan has several advantages. With the notices before him at all times, the Messenger can mail and deliver at his own convenience and fully avail himself of wholesale deliveries—that is, can pick from his file many notices for one house and deliver them in a lump. Then under this system the notices can most readily be made out direct from the face of the paper and not from covers or records ; and by so doing notices which have been correctly drawn may correct errors in filing or covering.

A point which bank officers are often at a loss to decide is the question whether to send notice of a note written payable at a bank to that bank or direct to the promisor. There is no general rule with the banks in this respect. In their action they are apt to be governed by circumstances and a previous knowledge of what the promisor would like and expect. In view of this absence of rule and custom it would be well if all promisors would minute on the margin of their notes the point to which they would prefer the notices to be sent—whether to the bank where they are payable or to their place of business.

There was at one time in vogue with our banks a curious old custom, an English importation, of keeping a notification record book. This book was kept by the Messenger. In it he recorded just how and where he delivered all his notices of maturing paper. I have had opportunities of looking into one of these ancient record books. In it were the most minute statements of the way the Messenger had scattered his notices. In one line would be a record of a notice left at the place of business of some promisor whose office was shut, which obliged

the Messenger to shove the missive under the door. Another minute would be to the effect that a certain promisor's place of business could not be found, and that his due notice was delivered at his house in such a street at a time of day named. And so the records ran along. This book, and these methods, show that more care was taken in the old days in the matter of delivering notices to call and pay than at the present time.

THE MESSENGER AND HIS COLLECTION DUTIES.

A Messenger is sure to be found on the staff of banks which have many departments of work and a number of officers. In fact, almost all banks, small as well as large, are apt to have a Messenger even if they double up in some departments and run along on a limited corps of clerks. Some of the great banks in the Clearing-House cities have a large number of Messengers, and there are several which have at least a dozen. The duties of this officer vary with the circumstances under which he labors. In some banks he may give his whole time to what may be termed legitimate Messenger work—presenting drafts, delivering notices, making cash collections on coupons, drafts, etc., and doing the bank's post-office business in the town or city where it is situated. The Messenger in a small bank having no janitor opens the doors in the morning, closes them at night, takes care of the rooms and does all the outside errands. Honesty, accuracy and ability are qualifications essential for the proper discharge of the duties of the position.

Many faithful Messengers are doing good service who entered into the work when mature in years, having spent a large portion of their lives in other occupations from which they have turned to banking when unable to secure employment at their trade. Men of this class are generally content to work without the wish or hope for promotion, since their ambition in life as well as capacity for getting on have been somewhat weakened by service and disappointment elsewhere. Other Messengers are alert and bright young men who have gladly stepped on to this lower round of the bank ladder with the determination to spring to a higher rung at the earliest opportunity.

The position has many advantages, viewed as a school of preparation for higher duties, and any young bank Messenger may reasonably hope to secure rapid promotion if he does his duty and avails himself of every opportunity of qualification for a higher place—that is, provided he has natural fitness for the banking business. If he has not he is pretty sure to remain in the first place he is put on entering a bank. Promptness, carefulness and courtesy are highly desirable traits in a bank Messenger.

I interpolate these few words on Messengers in general right here, because I want to speak next of the Messenger's part of the collection work and of the varying forms of the business paper which he has to handle—and handle intelligently. Of course, he has behind him and

overlooking him the clear-headed Collection Clerk, but there is abundant room for the Messenger to exercise care and use his acquired knowledge.

In presenting drafts for acceptance or payment, it is always extremely desirable that the drawees shall be found in person—that the papers shall be actually presented to, and seen by, the parties upon whom they are drawn, and some sort of answer to them secured at the earliest possible moment.

If the parties positively decline to honor the paper it is an excellent plan to have them jot down themselves a simple statement of the reasons for their refusal. Such explanatory answers, noted in the drawee's own handwriting, prevent a vast amount of misrepresentation and misunderstanding, and are very valuable and convenient for return to depositors and correspondents who have sent in the paper for collection.

In the everyday collection work of a large bank singular answers of the class we have suggested as being desirable are often turning up. Here is an illustration of this point :

The amount of the draft was $3. It came all the way from an interior bank in Pennsylvania, through a New York bank, to a Boston bank, for collection. It was drawn at sight, and bore several endorsements. It was drawn on a bill of lading of a small lot of bottles. The Messenger found the bottle man—the drawee. He refused to accept or pay the Messenger, and said he would note his refusal reasons on the back of the draft. This he did by writing as follows, on the back of the draft, saying as he finished, after long struggles over the work of composition, that he would have written more if there had been room on the draft :

"Boston, August 25th, 1890.

"Birmingham Dear Sir: your Botles was to be delivered to me free of expence, whitch thair was and expence of 80 cts and 9 brocken ones I will pay two dollars and know more. *"Phineas Johnson."*

In Massachusetts, and, I think, in most States, drawees have 24 hours in which to decide whether or not they will honor drafts drawn upon time. This 24 hours' grace is a notion that we have copied from English banking and business practice, and is based upon sensible ideas. It has been adopted mainly for the purpose of giving drawees time to examine goods, books and invoices.

When a time draft, drawn payable from sight, is accepted at the expiration of these 24 hours, the acceptance must date from the day of first presentation.

With drafts payable on demand, a settlement before the close of banking hours (on the day they are presented) covers the requirement.

In case of absence of drawees, a presentation at their places of business, and the leaving there of the draft, or a notice of it, is, of course, sufficient.

Still, my advice to the Messengers is always to see their men personally, and get direct answers from them if such a thing is possible.

Misunderstandings, fault-finding and losses are by such a course often avoided.

And the Messenger should always remember to give just as much care, system and consideration to the smallest draft as to the largest, and should be just as particular and just as courteous in his dealings with those drawees whose business may seem to him insignificant as with his heaviest customers.

It was a draft on New York for $25, drawn at sight, by some party way off in the West, upon a man the Messenger had never heard of. The Messenger turned to the directory and found the name and location of the drawee. On calling on this address, he did not find the drawee in, and found that he had only desk room there, and somebody in the same room told the Messenger that his man was out of town and might not be back for many days. The Messenger made no further endeavors to collect the draft—may even have neglected to leave a notice of it—and it went to protest.

A few days after a most excellent man, who turned out to be the drawee on this draft, called, saying he had heard of the protest, but had neither seen nor heard of the demand on him until he received notices of protest. Said the Messenger could not have searched for him properly or made a due presentation. Was sorry for the affair, because the non-payment of the draft had cost him several hundred dollars, since it was a bill for a portion of taxes upon Western lands, the non-payment having led to their sale for taxes and loss to him as specified.

A valued correspondent has suggested that I say a word or two for the benefit of drawees and regarding some of their duties in the matter of responding to the paper which is drawn upon them.

He agrees with me in pressing upon bank messengers and notaries the great desirability of seeing personally, if possible, the parties upon whom drafts for acceptance or payment are drawn; yet he thinks drawees ought to be forcibly reminded of their bounden duty in the premises. And one of the most prominent of these, is the duty of being on hand at their regular places of business, during legitimate business hours, to attend to the drafts which advices have told them are liable to be presented to them.

There are two standing grievances which bank messengers have against many business men. One is their chronic habit of being absent from their offices when they are wanted to settle drafts drawn upon them, and the other is their careless custom of not promptly making returns to the collecting bank, within the legal time, upon the drafts which have by courtesy been left at their places of business during their absence. I have purposely said "left by courtesy," because, after a due presentation of a draft, at a drawee's office, the bank Messenger has done his duty if, in the absence of the drawee, he leaves notice and takes his draft back to his bank.

But, if by courtesy he leaves an unsettled draft and notice with the

drawee, it is the duty of the drawee to make returns upon it within the legal time. And if he has, by constant neglect of this duty, put the Messenger to the trouble of steadily going a second time for drafts, he has no reason to complain if the Messenger concludes to leave no more unsettled drafts at that office.

The following incident may illustrate a third point in the matter of dealing with the Messenger:

A Messenger was handed by the Collection Clerk a sight draft upon a well-known lawyer, which he was instructed to collect or get accepted, for sight drafts in the locality of this banking incident carry grace. He took out the paper on his morning route, and in due time found himself doing as he had been instructed—presenting the draft in question to the famous lawyer. This drawee did not seem pleased with the sight of it; in fact seemed to look upon its very polite presentation by the bank Messenger as an unwarrantable intrusion if not an actual impertinence; and the only response he offered was in the shape of a gruff enquiry of what he wanted to have done about the thing, anyway. The tones of the drawee were so overpoweringly forbidding so like muttered thunder—that the Messsenger, who knew very well who he was interviewing, could barely muster courage to tell him that he would be pleased to have him either accept or pay that draft. Even this simple reminder was too much for the equanimity of the lawyer. This being asked to respond—to pay—by a bank runner was to his mind something not to be tolerated. What ensued is best given in the language of that bank Messenger. "I am," says he, "the very man who was kicked out of the office of Daniel Webster for asking him to accept or pay a draft." The Messenger is a man of fine imagination. He did not mean to have it understood that there was actual physical force used in refusing to respond to that paper; but he does mean to say that he was ordered out of that drawee's office by a manner so peremptory that it seemed to him about equivalent to a forcible ejection. Those who have seen Daniel Webster in a displeased mood will understand the situation.

The terms in which drafts are drawn often vary widely from the ordinary forms and these variations or other circumstances continually call for decisions from those in authority as to the proper course to pursue.

Here is a novel form of a time draft, which some drawer, with original ideas on the subject of draft drawing, has framed. As it happens to come through my hands for collection, I am called upon to settle its bearings. It reads thus: "On demand, fifteen days after date, please pay to order," etc. We present it to the drawee for acceptance. He happens to decline to honor it, on account of the incorrectness of its amount, and now the question comes up whether we have a right to make an immediate presentation of a draft written as this is "on demand fifteen days after date"—a time yet a long way

off, and whether, having presented it, and failed to get it accepted, we have a legal right to protest it at once for non-acceptance.

There is, at first sight, an impression conveyed by a draft thus drawn that the drawer did not intend that it should be presented till fifteen days after date, and that we really have no right to present or protest it for non-acceptance till that time. After due consideration, the conclusion is reached that the only safe way is to make an immediate presentation, and protest at once if not accepted.

Another conclusion is also reached at the same time, which is that it is a very poor plan for anybody to draw a draft in this ambiguous way.

There is a second question which also comes up in connection with this draft. It is payable at a point where grace exists, and the question now is whether a draft payable "on demand fifteen days after date" carries grace. This question is quickly decided in the negative.

Curiously enough, to add to the complications of this draft even a third question attaches to it. It is drawn on J. Robinson & Co. It should have been on J. W. Robinson & Co. The goods which it covers were thus consigned. There is no J. Robinson & Co. in the place, and J. W. Robinson & Co. fully recognize that the draft is for them.

Some bank has told the drawees that if they accept they must accept as drawn—not accept by writing the correct name of their firm across the face of the draft, but accept by putting on the name of a firm which does not exist simply because the drawer has so written it.

This is all wrong. No matter how the draft may be drawn, the drawee who accepts must accept in his correct name.

We have often heard payees of checks, which had been filled up incorrectly, in the matter of the name of the payee, advised to write their names to agree with the face of the check. This is very poor advice. An individual or firm should never vary signatures in this way, even in the slightest point.

Here is another illustration.

The bank received, in due course of business, from a distant correspondent, a draft for collection, with a bill of lading of some hundreds of bushels of potatoes attached, which read pay so many hundred dollars "*on arrival of the potatoes*," and which was drawn upon the captain of the potato schooner. The Collection-Clerk of the bank receiving this potato-timed draft, whose maturity was to be determined by the arrival of the schooner with the potatoes described in the bill of lading accompanying it, took charge of the paper, and at once began to watch carefully, with the assistance of his Messenger, for the coming schooner. Considerable time elapsed and nothing was seen or heard by the bank of the drawee or his consignment. Meantime, it appears that the schooner had really got in, unobserved, discharged her cargo, in a perishing condition, and, with the drawee captain, sailed away again. In the end, the draft remaining uncollected, and the potatoes

going to complete ruin, the bank which forwarded the paper for collection took the ground that their collecting bank had not exercised due diligence in the matter—had been guilty of carelessness and neglect—and charged them with its full amount which amount this collecting bank finally allowed its correspondent.

There could not well be a more awkward position for a bank Messenger to occupy than that of a searcher after a drawee who was afloat and liable to arrive and leave again at any time. Nor could there easily be framed a more objectionable form of a draft than the one we have here described as payable upon the arrival of a perishable cargo whose time of coming and place of discharge was quite unknown to the holders of the paper.

In another case—that of a demand draft for $200, drawn by a party in Nova Scotia upon a consignment of live fowl—a question came up which the parties considered a very *vital* one.

The drawee told the Cashier of the large city bank which held the paper that he could not pay it because it had been drawn for too large an amount. The bill of lading was attached to the draft, with instructions that it must not be delivered until the paper was paid. The chickens, which were named in the bill of lading, had arrived by steamer, and now lay upon the wharf in their big coops. As the consignee turned away from the Cashier, after declining to have anything to do with the paper, he suddenly thought of a disagreeable feature of the situation, and came back to the banker, asking with some little anxiety, "What will become of the chickens? Who will feed them, and give them water, since no one will accept them?" Here was an unpleasant dilemma. The poor birds might starve if the draft went to protest. After some little talk over the complication the drawee said he supposed the bank would not consider it its duty to look after the chickens, and he would therefore take the risk of going to the expense of doing it himself. He might not in the end get his pay out of anybody, but he did not mean to see the birds suffer.

Quite often complications like this arise. Cases frequently occur where drafts are drawn upon consignments of perishable articles which the drawees will not take because accompanied with liabilities in excess of their value. In such cases the merchandise may go to ruin while the draft covering it is being protested and returned to its owners at some distant point. A thoughtful and judicious use of the telegraph wires may, in some instances, save these unpleasant results.

Still another draft, accompanied by a bill of lading covering a shipment of a lot of flour read thus: "On arrival of goods please pay to order of First National Bank $1000." It came forward for collection, in due course, from a bank in the West to a bank in an Eastern city and was presented to the drawees, who replied that the goods had not arrived, but that they would pay it when the goods did come to hand, since the paper was all right. They further said the

flour upon which this bill was drawn might not arrive for several weeks. The draft bore several endorsements, and had been invoiced to the collecting bank without any special instructions not to protest or to hold for any time. Under these circumstances what was the correct course for the bank to take with it? Undoubtedly it was the duty of the bank to present it at once for payment. If payment was refused, under the claim that the goods had not arrived, it was the duty of the bank to obtain its acceptance, which would amount to a guarantee of the drawees that it was right, and that it would be paid by them in accordance with the tenor of its face. In the event of a refusal of the drawees either to pay or accept, the holding bank should protest for non-acceptance.

It is far better for all parties concerned that drafts should never be drawn in this manner—on this awkward time. The collection-holding bank has no means of knowing when the draft matures—when the goods arrive—except from information furnished by the parties upon whom the draft is drawn.

Under some circumstances banks would be justified in refusing to receive such paper.

Perhaps the question arises from other causes than the manner of writing the draft.

A time draft for $10,000 was drawn upon a house in Chicago by a person in New York. In working its way through for collection it passed into the hands of a bank in Chicago, which presented it to the Chicago drawees for acceptance. The draft was not drawn payable at any special point in Chicago; but the drawees in accepting made it payable at their own bank. The Messenger presenting the draft objected to this form of acceptance and took the ground that it was what is termed a qualified acceptance which changed the tenor of the paper and which he had no right to permit. The point was referred to the Chicago bank, and the general question of the right of an acceptor to alter the tenor of a draft by accepting it with the condition of making it payable at some bank or office was fully discussed.

It seems that the English courts long ago decided that alterations of the character in question could not be permitted and that the drawee of a draft must accept it just as it is drawn if he accepts it at all. To meet the difficulty which was the outcome of this decision Parliament passed a law providing that acceptances made in this qualified manner, and making drafts payable at a bank when they had not been so drawn, should not be deemed qualified acceptances but proper and legal ones.

In this country there have not been any special enactments covering the point in question, but our courts have always held precisely the same view that is expressed by the English law, that an acceptance of a draft not originally made payable at a bank whereby it is made payable at some particular bank in the place on which it is drawn is

not what the law considers a qualified acceptance but is, on the contrary, a legal and satisfactory honoring of the draft. In the case we have cited the drawees were right in claiming the privilege of accepting their draft payable at the bank and the collecting bank safely approved the act.

In another case the bank received from a corresponding bank a draft for acceptance and collection which bore endorsements and was drawn for $5,000 upon a party described upon the paper as being in business in the place where the bank receiving the paper for collection was situated. But this bank happened to know positively that the drawee had transferred his place of business to another city, and knew the number and street where the drawee was now to be found. The Collection-Clerk asked the Cashier what should be done with the draft, whether it should be protested for non-acceptance, since the drawee was not in the city, or sent to the actual place of business of the drawee, where, without doubt, its acceptance could be obtained. There was some little discussion between the officers over the point, and the Collection-Clerk claimed that in "Daniel on Bills and Notes" the position was taken that a draft could not be be protested for non-acceptance until it had been presented at the actual place of business of the drawee; that, at any rate, any other protest would not hold the drawer or endorser. But, Daniel or no Daniel, the bank finally came to the conclusion that the only safe and proper course was to present the draft as drawn, and protest it in the city of the bank receiving it if not accepted. Cases like this often come up, and the course taken in the example cited is the correct one. Drawers of drafts should draw them on the right parties in the right places, and banks which handle them for collection should, in the absence of other instructions, follow the address upon the face of the paper as far as the town of the drawees is concerned.

In the following instance the address became of the nature of special instructions.

The draft was sent me for collection by a bank in New York—sent to me in Boston in the regular course of business. It was drawn at sight by some one in Washington, bore several endorsements, and the drawee was addressed New York—that is, the draft was apparently at first regularly drawn on a drawee in that city or who was supposed to be there. But when the draft reached me there had been written in pencil, underneath the name of the drawee, without any obliteration of his New York address, "Hotel Brunswick, Boston." My Messenger presented the draft for acceptance or payment, and was told that there was no person there of the name sought for—nothing known there of the drawee. What should be done with the draft under these circumstances? I had it protested. The fact that it was drawn on a party first set down as in New York, and not otherwise addressed, except in a pencil memorandum underneath, saying, "Hotel Bruns-

wick, Boston," did not justify or render it safe for me to omit to protest in Boston. The New York bank which sent the draft to me in this shape—that is, with a Boston address noted upon it—could not expect me to do otherwise than protest it if not paid, though it had omitted to give me special instructions and had not crossed out the first address when it permitted it to go forward through me to its second address in Boston.

I recollect also an instance when the Messenger was given a draft upon a house, drawn upon three months, for $5,000, and was instructed to procure its acceptance. This he did, and brought the accepted paper back. Shortly after his return with it the acceptor came in great haste to the bank, saying that through an error of his Book-keeper he had accepted the draft by mistake when he was owing the drawer only a trifling amount, and asked that he might be permitted to erase his acceptance and cancel it by drawing his pen across it. This the Collection-Clerk of the bank was not inclined to permit. He never happened to have a case of this character before, but he was instinctively reluctant to allow the proposed mutilation of the draft. The matter was finally referred to the higher officers of the bank, who very correctly refused to have the acceptance erased.

Such a case as this is not very unusual. The only course for the bank is to hold on to the name they have in good faith secured. The bank is acting simply as an agent, and cannot positively know all the circumstances which may environ both ends and the indorsements of the draft, and it is not, for these reasons, safe for it to assume the responsibility of allowing the withdrawal from it of a name which it has secured.

The course open to the drawee under the circumstances we have described is to notify at once the various parties to the draft that he has made a mistake in accepting it and shall not pay it—that he has stopped its payment.

If a contest over the matter arises the Courts may have to step in and settle it.

Then again, take the matter of action under powers of attorney. A bank holds for acceptance a draft upon a party. It presents it. Is met by an attorney, who says his power is on file at a certain bank. Messenger calls at the bank named and finds it there. He takes the attorney's acceptance in place of that of the principal. Drafts on the same party continue to come along; and the Messenger continues to take attorney's acceptance on the strength of the fact that he has once seen the power. But this power may have been immediately withdrawn from the bank where it had been left—revoked. How is a bank to avoid the dangers of such a contingency as this? The Messenger cannot go every day to see if that power is still where he first saw it. In practical banking he does not do so.

It can only be said, in view of such cases as this, that banks must

exercise proper care, due diligence and good judgment, and assume the common risks of doing business of any sort.

Perhaps the Messenger will occasionally run across a party who objects to receiving his endorsement on the draft as a receipt for its payment, but as he is the officer of the bank who, as its representative, actually takes the payment, his receipt—his endorsement upon the back of the paid and surrendered draft—is certainly as good as that of the Cashier and will bind the bank and secure the payer equally as well as that of the latter.

Some drawees, however, are very set in demanding a Cashier's endorsement. To give them this endorsement requires that the Cashier shall endorse payment received upon the paper in advance of its presentation by the Messenger, and when he is really entirely ignorant whether it will be honored or not. This is a practice neither safe nor convenient. It is not safe, for the paper bearing his receipt may be lost while in transit; it is not convenient, because the paper will have to be mutilated by an erasure of his endorsement if it is not finally paid.

While I am speaking of this out-of-door work let me mention a risk or danger of another character. I refer to the danger of actual assault or theft to which the Messengers are unavoidably exposed.

In the presentation of drafts and delivery of notices they are, particularly in our large cities, often called upon to visit disagreeable localities and to enter shops, houses and stores of an unsavory character. But these features of their business give them but very little thought or anxiety. They go their rounds resolutely and faithfully, giving little heed to the men or the surroundings they fall in with, their only aim being to get at the right numbers and persons as expeditiously as possible.

On other errands the bank's "Out-Tellers," as they are termed in London, are daily obliged to carry about the streets a deal of money, valuable papers, stocks, bonds, etc.

Where unusually large amounts of cash, or securities, are to be moved through the streets, as in paying and receiving heavy balances at Clearing-House, it is an excellent rule never to permit the Messenger carrying these large sums to go alone. Many city banks and bankers make it, for instance, a rule that none of their Messengers shall carry about the streets the sum of ten thousand dollars and over without having another man go with them.

There are a variety of opinions regarding the best way of carrying money and valuable papers about the streets. I am of the decided opinion that all bank messengers should put their valuables in wallets —that they should never be allowed to carry them in their hands, and fully exposed to view, as many of them seem determined to do. And I think it a good plan for the bank messengers in large places, who have a good deal of steady work in the way of carrying about the

streets large sums, to have their wallets chained to them, as is the general rule in such work with the bank messengers of London.

Some Messengers who go on, year after year, carrying money about our streets, in all sorts of ways, without losing anything, grow careless, and also grow set in their way of so carrying their money, no matter how objectionable that way may seem to be to their superior inside officers. These Messengers need to be reminded from time to time of the many street assaults and robberies which have been made on men in their business, and of the methods which have been practised in making these snatches, as well as that it is a well-established fact that the thieves of our cities know well every bank messenger, and have made their street money-habits a study.

After all I have said regarding the advantage of intelligence on the part of the Messenger as well as the other clerks it may sound singular that I should finally say of him that he should at times, when under instructions from responsible officers be but an intelligent machine—acting strictly in the line of his orders with care neither to add to nor take from them—for in many cases he is called upon to bear messages and do general errands the bearings of which his superiors have no time to explain and of which he can perhaps know but little.

I add an illustrative anecdote the hero of which, I will however admit, was quite a raw hand.

A note, bearing endorsements, was due, and at the close of bank hours it had not been paid. As it was signed by a well-known house which was in the habit of promptly meeting all its engagements the President presumed that there had been some forgetfulness or mistake somewhere and told the Messenger to take the note to the promisors and endeavor to collect it from them, giving them a chance to pay it before it should take its otherwise inevitable path to the hands of the notary. This action under such circumstances is what every bank should follow. It is always good policy to save good notes from protest, the failure to meet them often being simply the result of somebody's error.

In the case in question the Messenger presented the note, demanding its payment. When the promisors told him they had made a mistake and forgot the paper but would pay it the next day the Messenger said "all right," and took the note back to the bank, to which he made no report of the way he had committed himself. The note not being paid was protested. The next day its signers came to pay it and were very indignant over its protest, because the representative of the bank had told them that it was "all right" when they said they would pay it to-morrow.

The matter in question caused so much trouble and annoyance that that bank Messenger never afterwards ventured to say "all right" except when specially instructed to do so.

I think we have now pretty well covered the Messenger's part in

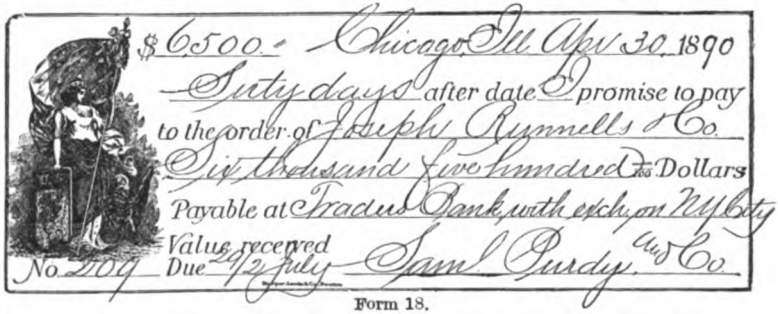
this collection work and we will look at some other points in relation to the forms of business paper and other questions which may arise.

"IN EXCHANGE" AND "WITH EXCHANGE."

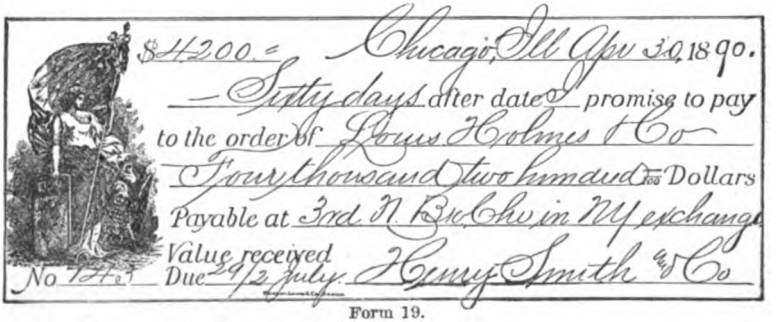
These expressions or stipulations, when incorporated into the body of a note, or an acceptance, are certainly equivalent to a promise to pay an uncertain amount, on conditions, and, in the opinion of many, have a tendency to lay the instruments in question open to the charge of being of a non-negotiable character, for it is a very old rule that a negotiable instrument must promise to pay a definite sum and that only.

There are few experienced bankers who would not gladly join in a recommendation that all use of such expressions as we have named be forever abandoned. But the often used term of payable "in exchange" is decidedly more objectionable than the "with exchange" formula.

In order to make the points we have in hand very clear, I here give the two forms as seen in regular use (see Forms 18 and 19):


$6500.- Chicago, Ill. Apr 30 1890
Sixty days after date I promise to pay
to the order of Joseph Rumells & Co
Six thousand five hundred 00/100 Dollars
Payable at Traders Bank, with exch. on N.Y. City
Value received
No 2104 Due 29/2 July
Sam'l Purdy & Co

Form 18.


$4200.- Chicago, Ill. Apr 30 1890.
Sixty days after date I promise to pay
to the order of Louis Holmes & Co
Four thousand two hundred 00/100 Dollars
Payable at 3rd N. Bk. Chi. in N.Y. exchange
Value received
No 1574 Due 29/2 July
Henry Smith & Co

Form 19.

The first note (Form 18)—the "with exchange on New York" paper—carries with the promise, in banking usage, the agreement that the Chicago promisor shall pay, in addition to the face amount of the paper, the cost of putting the same in New York—the expense that would be necessary in order to buy a draft on a New York city bank for the same sum.

But the ambiguous and obnoxious expression in the other note (Form 19), payable "in New York Exchange," though often used with

the intent of being understood as entirely synonymous with the "with exchange" clause, is open to a very serious objection, and the bank which attempts to collect paper drawn in this manner is liable to find itself in an unpleasant predicament.

It is claimed that the Chicago payor of paper of this type, whether a note or a draft, has the right to tender in its payment such a draft on New York as he may please, such a "payment" coming within the scope of the agreement to pay "in New York Exchange."

If the collecting bank attempts to discriminate regarding the character of the exchange on New York that is offered and raises the question whether or not the tendered exchange is of good repute it may find itself in an unwelcome controversy with the payor, and it may, in the end, be difficult to say who has the right to decide upon the repute of the exchange tendered.

Banks should set their faces strongly against the use of such a form. They have often taken the very sensible ground that they would not undertake to collect paper of this description, unless the owners of the paper would assume the entire responsibility incident to its irregularity.

INTEREST UPON GRACE.

His note was written payable six months after date, with interest at six per cent., and made payable in a State where grace prevailed. He called at the bank which was holding the note for collection on the last day of the six months and tendered to the Teller the face of the paper with interest to this day—interest to its maturity without counting in the three days of grace. The bank, which was holding the note for collection for account of one of its depositors, refused to settle the payment in this manner, and demanded interest upon the note to its last day of grace. The signer of the paper demurred most decidedly to paying this three days' grace interest, but the bank very correctly insisted that the matter must be settled in this way, and in that manner it was finally adjusted.

The claim for the interest for the three days was just as equitable and legal as the claim for that of the six months. Where grace is the law the due time of paper issued there is as firmly fixed at the expiration of grace as it possibly can be.

There is an interesting point about note paying that may be noted in this connection, and that is that a holder of a time note is not obliged, and cannot be compelled, to accept its payment before maturity. In the case of the note on six months, with interest, which we have just referred to, a tender of the principal and interest to the last day of grace could not compass the settlement of it, and could not secure to the signer possession of the paper unless the holder so elected.

DRAFTS WITH BILLS OF LADING ATTACHED.

In collecting documentary paper great care has to be taken in several points. A bank receiving for collection paper with a bill of

lading attached, where instructions come with such paper to deliver the bill of lading only on payment of the draft, must be exceedingly careful in taking checks for such payments. In the next place the bank should bear in mind that in handling a bill of lading it becomes for a time the custodian, as it were, of merchandise, and that this merchandise may be of a perishable character. In several cases banks have lost heavily by negligence in presenting for acceptance or payment drafts of the character in question.

Then if the paper is drawn upon time there is the question of the delivery of the bill of lading upon the acceptance of the draft.

Since the peculiar decision of the Supreme Court of the United States apparently requiring holders of bills of lading accompanying time drafts to deliver them to the drawees on acceptance of the drafts unless otherwise instructed, the National banks of the country have not seemed to adopt any uniformity of action for such cases. At the time of the rendering of this decision the banks of New York issued circulars to their correspondents directing them to give special instruction in any case where they desired bills of lading *held* after acceptance of the drafts accompanying them. Where the New York bank receives no special instructions to the contrary it invariably surrenders the bill of lading upon acceptance of the draft. In Boston many of the leading banks have taken the very safe ground that they must have from their correspondents in all cases absolute and specific instructions as to whether the bills of lading shall or shall not be surrendered. In cases where instructions are not at first sent with the drafts the mail or wire is at once used to obtain them, and, as twenty-four hours are allowed for acceptance of drafts, these required instructions ought in that time to be procurable from anywhere in the United States. This is by far the most prudent course of action and one which should be recommended for general adoption. Our reasons for holding to this opinion are found in the character of the famous Bill of Lading decision itself. A careful study of it will convince any one that the only safe course is that recommended, which has been endorsed by most eminent counsel.

PAYING BACK MONEY.

The note was payable at the counter of an adjacent bank. The bank holding it had discounted it for a dealer, whose endorsement it bore. At maturity the paper was presented and it was cashed. The same morning the bank which had paid the note discovered that it had done so in error; that the promisor had not the funds to meet the paper, and that their Teller had committed a gross blunder in cashing the paper. They asked that the money be refunded. The repayment of the money was made with some hesitation, for it was now apparent that the promisor of the paper had failed. The money was returned, however, and the note taken back and protested. The endorser of the paper, who was a very sharp but perfectly solvent man, heard that his bank had once collected the note, and on that ground refused to pay

it. In the end the Courts held that the endorser must pay because he had not been released or compromised by the collection and repayment in question.

This interesting case is of a very suggestive character. Bank Managers and Tellers are always reluctant to pay back money which they have once collected upon endorsed paper which will in case of non-payment be thrown back upon third parties with whom they can have no immediate consultation. This is perfectly natural and justifiable. In all cases where the circumstances are similar to those described, where money is paid through a mistake by innocent parties acting for others, it is perfectly legal and good banking to pay it back. This point comes up very often, and very many bank officers, acting under a fear of incurring responsibilities similar to those which the endorser in this particular case endeavored to throw upon his bank, refuse point blank to refund payments which have once been made unless they are able to secure consent to this repayment from endorsers.

In another case where there was no third party and the payment was intentional the problem put on a different aspect.

It was an endorsed note for $10,000 and the day of its maturity had arrived. The promisor came to the bank which held it for collection for a correspondent and stated to the Cashier that the note was not to be paid, since arrangements had been made for its renewal, and asked if it had not been ordered home. The Cashier had received no such instructions, and said the note would have to be paid or protested. The promisor raised the money and met the note. The next day the Cashier of the collecting bank received an order by mail to return the note to the correspondent who had forwarded it for collection. He did not have possession of the note, but the money for it instead. To return the money to the promisor and get back the note would be assuming an unwarrantable responsibility in the absence of definite instructions from the correspondent to that effect, and the only safe course was that which the Cashier pursued. He wrote to the owner of the paper, told him it had been paid and passed to his credit, and asked him whether he should reverse the credit, pay back to the maker the money and take the note, or if he should let the matter stand as it was. Instructions came to follow the latter course and that ended the matter.

HOW EARLY IN THE DAY IS A NOTE DUE?

A bank discounted a note which was the promise of a depositor with the bank. It had considerable anxiety about the reliability of the note, particularly as far as the signer was concerned. On the morning of its maturity the signer, who had made the note payable at the bank, had a balance barely sufficient to meet the paper. The bank very naturally made haste to charge the note against the balance. It did this as soon as it opened for business. During the rest of that day checks upon this early appropriated balance came flowing in, through

the Clearing-House and over the counter, and were, of course, refused payment. There was a legal contest over the question whether the bank had a right to seize the balance upon which checks were outstanding at so early an hour in the day and dishonor all the other demands upon it, the result being a final decision of the Court that the bank did right and that a note due on any given day might under the circumstances described and for the purpose of payment be considered as due as soon as the bank opened and not at the close of banking hours.

UNPAID PAPER.

When maturing notes and acceptances held by a bank under discount or collection for the account of its dealers remain unpaid at the close of banking hours on the day of their maturity, there are one of two courses for the bank Manager to take with regard to them. He may hand the paper at once to the Notary for protest (we are considering paper which bears indorsements) or, instead, dispatch his Messenger to notify either the promisor, acceptor or indorser—that is, to notify the first one likely to respond—that the paper remains unpaid. The latter course is the most judicious one in many cases. The parties to the paper who were to pay it may have forgotten it, made a mistake in entering its time of maturity on their books, or mislaid the notices. It may happen that the non-payment is owing to some error made by the bank in leaving with the promisor a wrongly-filled-out notice which has misled him. Whatever may be the reason for the non-payment in question, it is better for a bank, where it is dealing with parties who are believed to be responsible and are supposed to be ready to meet all demands upon them, to give them an opportunity to do so and to correct their errors before handing the demands upon them over to a Notary. Such a course of action cultivates a kindly feeling between the bank and the dealer, and in the long run helps the business of a bank by bringing it favor and custom.

NOTES PAYABLE AT A BANK.

The treatment of such notes varies in different localities.

In Clearing-House cities it is a quite general custom to charge them in to the banks where they are to be paid on the day of maturity and in other places they would be presented at the bank by the Messenger. But the exception to such action is where the collecting banks happen to know that the maturing payable-at-bank notes which they hold will not be paid at the bank where they are made payable—that the promisors have not provided for their discharge in this manner, but intend to call at the bank which holds them for collection and pay them over its counter.

When the note has been charged through the clearing there may yet be a question of its payment. In a recent case the bank held a note which was payable at a neighbor bank. As these two banks were located in a Clearing-House city the note in question was, at its maturity,

charged into the bank where it had been made payable by the bank holding it for collection. The rule prevailed in the Clearing-House arrangements of the place to which we are referring that all checks charged in, which were not returned to the banks before 1 o'clock of the same day, should be considered paid. Up to the date of the banking incident of which we are writing the impression generally obtained that charged-in notes stood upon the same footing as checks—that a charged-in note, not returned before 1 o'clock of the same day, might be considered as paid by the bank to which it had been debited through clearing. Out of the lawsuit which arose over this particular case there was brought out a Supreme Court decision to the effect that notes were not to be considered the same as checks. The note in question, which was a very poor one, had been returned with the answer of "no funds" just before 2 o'clock—the hour of bank-closing in the place. It was ruled that this return was not too late to secure a refund of the money on it.

This case was ruled on by the Supreme Court of Massachusetts.

Bankers in that State, at least, now never consider a note which they have sent in through clearing as paid beyond question until they have sent to the bank to which it has been charged and received assurance of its payment, or, at least, until the close of bank hours has been reached without a return of the note.

It does not follow positively, from the fact that a man has written his note payable at a particular bank, that he intends to pay it there. He has simply given an easily reached address where the note, if not otherwise taken care of, may be presented and a legal demand made for its payment, and he has also insured himself against accidental ignorance or neglect on his own part by making it positive that the note will be presented there before it can be considered dishonored. From the bank's standpoint it has long been a question whether notes and acceptances drawn payable at a bank should be considered in the same light as checks upon the bank—as orders to pay without further advice or instructions—and with us, banks which keep the accounts of depositors who have made their notes payable there, are not in the habit of paying such notes out of deposit balances unless the depositors have left with them special instructions so to do. The English view is that they should be considered and treated as checks. The London promisor or acceptor who makes his paper payable at a London bank knows that that paper will, at its maturity, be charged in through clearing to the bank where it has been made payable, and that it will be paid at the bank, if he has balance enough, precisely as if it was his own direct check upon the bank. In New York city the London idea prevails in general. There have been important decisions in the courts of this country contrary to this action. It has been held that the bank which, without special direction, pays paper made payable at its place of business, performs a gratuitous service and assumes

an unwarrantable risk. There are many good reasons for these views. The maker of a note may not wish to pay his note at all, concluding to stop its payment for some reason or other. A bank which acts in the matter without special orders, not having in hand a full description of the maturing paper which a promisor may wish to have it pay, assumes considerable risk in the possible payment of fraudulent paper. The banks of Boston have long taken this ground: parties who make their paper payable at a bank in Boston must, before its maturity, furnish that bank with a list, giving dates, amounts, and full instructions for payment, if they wish to ensure its payment out of their regular balances.

This last method of management is the one likely, in the end, to be the general custom in the United States.

There is, however, a point relative to this matter which should be noted. A bank which has discounted a note for a depositor has the undoubted right to charge it to that depositor's balance if, at maturity, it remains unpaid. If it did not so act, it would certainly be in danger of losing any endorsers of the paper, through thus neglecting to secure its payment.

CHECKS IN PAYMENT OF NOTES, DRAFTS, ETC.

One of the most difficult questions a bank doing a heavy business has to deal with is that of how to carry itself—where to draw the line—in the matter of taking checks on other banks in payment of its maturities. Many of our city banks instruct their officers to take no uncertified checks whatever in the premises in question. Having made such a rule they smooth away some of its obnoxious points by introducing as many exceptions to it as prudence and safety may dictate. The rule is in many banks a necessity; the exceptions are also a necessity. Very few subordinate bank officers have the knowledge and the judgment required for a safe settlement of the question of what checks shall be taken and what refused; and no experienced Teller, Messenger, etc., is desirous, or even willing, to assume the responsibility of discriminating in this check business. The only way, therefore, is to set up for the bank clerks the rule I have named, and then have the Cashier and President at hand to approve necessary — desirable — exceptions, the bank itself taking the entire risk involved as a matter of wisdom and policy. Dealers are often offended by the rule in question; but those most experienced and of the most solid credit are the last to be displeased by it. The application of a little logic to the premises is often of service. Why should a bank go through the form and all the risk and trouble of taking on a hundred thousand dollars in bulky bonds, as collateral for a demand note, and then give up everything on an individual check? It is often said that no decent man will tender a bank a check that is not a good one—that such a tender is a fraud, and all that. But I have known many most excellent men who have settled demands with checks which have proved worthless—proved so

through no fault of their own—for the deposits upon which these checks were drawn went back on them, being made up of checks of people who had failed.

ACCEPTANCE AND RETURN.

Banks are often called upon to send forward to various points for acceptance and return drafts which they may have received from depositors, who wish them handled through the collection department, and to be returned after acceptance has been procured, since they are due a long time ahead, and the depositor, for that reason, prefers to hold them in his own hands until near maturity.

It is not a good plan to send paper endorsed in blank through the mails, since it becomes, under such circumstances, negotiable in any hands into which it may fall, even without the assistance of a forged endorsement.

It often becomes a question with banks how this acceptance and return paper shall be endorsed before it is sent forward. A good plan is to place over the last endorsement a stamp, making the paper payable to the bank which is handling it.

With such an endorsement it is in good form for a journey through the mails and in the right shape to go into the collection files of the bank sending it forward when it comes back accepted.

The only embarrassment in these cases arises when the customers wish to take the paper back—to hold it themselves, after it has been accepted, till close on to maturity, at which time they may wish to put it into some other bank. In some instances they may wish to sell the paper after it has been accepted or may even wish to get it discounted in some quarter other than the bank through which it has been passed for acceptance and return.

In such cases there seems nothing to be done except to run the risk of sending the paper through the mail endorsed in blank, or to submit to having it disfigured a little by putting on and crossing out what may be termed a simple transmission endorsement such as the one I have above mentioned.

RESPONSIBILITY FOR COLLECTIONS.

A bank receiving paper for collection payable at other banks, and which in due course sends such paper to those banks forcollection and remittance, is responsible for the conduct of its collection agents. There have been suits at law where the question at issue and the verdicts and decisions fully cover this point, and my reader probably has at hand the means of turning to the record of these interesting and important cases.

It is claimed that failed collecting banks have no right to cover in as a portion of their assets proceeds of collections made for their correspondents, and awaiting remittance at the time of their failure. It is held that such special balances should be deemed fiduciary or trust

funds and not the property of the suspended bank. But all attempts to maintain this position have been upset by the Supreme Courts.

Banks have in many instances attempted to hedge against all disagreeable collection risks and responsibility involved in the situation which I have explained by setting up at the outset certain disclaimers. I have before me a bank pass-book upon the cover of which is pasted the following notice :

"This bank receives paper for collection as agents only, and does not hold itself liable for any loss or damage which may accrue through the default of any bank or banks to which said paper may be sent for collection."

Years ago, under old State bank systems, notices of a similar description have been printed upon bank pass-books and posted in conspicuous places in bank offices. Such disclaimers can certainly be of no possible harm to the disclaimants, but it should always be borne in mind that they are, like disclaimers of responsibility on railroad tickets or express receipts, resting upon very uncertain foundations. Courts often show them very little respect.

The railroad tickets in use in England are solidly packed with an immense variety of disclaimers of every name and nature printed in very fine type and supposed to cover every possible contingency which has proved to be of a disagreeable and costly character in past contests.

Some time ago the London *Times* took up *seriatim* the disclaimers upon one of the tickets of a leading English railroad and showed how every one of them had been overthrown in English Courts.

In a recent publication I have seen misleading views upon this subject, quite contrary to those I have advanced.

The article in question held that the bank which exercises diligence is not responsible for the conduct of its collecting agent—that, for instance, any loss occurring from the failure of the bank to which it had with good judgment and in good faith forwarded paper for collection would fall upon the owner of the paper depositing it with the bank for collection. This is generally known in banking and collection circles as the Massachusetts view, and was at one time widely held. Parties who look up the point by referring to legal decisions not of a recent date are likely to similarly conclude that the responsibility rests with the owner of the collections. But comparatively recent decisions of the highest Courts have changed the whole aspect of the matter and throw the responsibility upon the first collecting hands.

Another point:—the bank—the collecting agent—which undertakes to handle paper for third parties, and has the misfortune to lose the paper in the mails, in such case is the sufferer, and must bear the loss or trouble which may be the final outcome of the miscarriage.

STRAY COLLECTIONS—"TRAMPS."

Many banks, particularly the oldest and largest banks in our cities and large towns, are in the frequent receipt of paper—mainly checks and drafts from individuals located in other large places, where there

are plenty of banks—which paper they are asked to collect and remit for. There are several features of this sort of business which are of an objectionable character, and among them are these: The stray collections which I am referring to come to banks from parties whom they know nothing of, with whom they have no correspondence, and who have no claims upon them whatever.

This dealing with entire strangers, who may have no character or responsibility, is a dangerous business, even though it is only in the way of a small collection transaction.

The collecting bank is obliged to remit for the collections, if they are paid, its check on some central bank, most usually a New York bank. And, since these remitted checks are small, the danger in sending them to unknown payees is evident.

I have known of instances where a collection business of this description has been "cooked up" simply as a means of getting hold of small first-class New York checks, for the purpose of raising them to large amounts. Then, again, where these outside collections come from parties who have no dishonest intent, they are quite often collections that won't collect—checks that meet with the response of "No funds"—drafts that are neither accepted nor paid; and, as such usually come without funds to pay for their return in case of dishonor, the bank receiving them does business, and that, too, of a responsible character, without any recompense whatever. If it protests the unpaid collections, it will sometimes receive from the senders complaints for so doing and a refusal to remit the fees.

Many banks have taken the ground that they will not do any of this sort of business which I have been describing. They mail back to the remitters their collections without attempting to collect them; and, as they come from points where there are home banks, ready to do any fair collection business, there seems no particular hardship in this, since the owners of the collections can take them to these home banks and there deposit them for collection.

The action I have last named is the only positive remedy for what is getting to be a great bother with many of our city banks, since they receive in almost every mail batches of these little irresponsible collections.

But, if they are not quite ready to take such decided action as to return them, the hints I have given may lead to the exercise of a little more care and discrimination in doing this sort of business.

There is no better way for emphasizing still more strongly this important point in practical banking than by presenting an incident from real life in banking which bears directly upon the business. We omit only the real names which figured in the case:

The "Rhodes National Bank," of New York, received for collection from John Jones, of Boulder, Colorado, a check upon the Twelfth National Bank, of New York, for $1,000. This check came with a

request for the immediate remittance of the proceeds. It bore upon its back several apparently regular endorsements, the first of whom was the payee of the check and the last John Jones, of Boulder, who had endorsed it over for collection to the Rhodes National Bank. The Rhodes National Bank collected the check, and, after making a deduction of 75 cents for doing the business, remitted the proceeds to Mr. Jones, of Boulder. So far so good. But two months after came a surprise. The collected check had, within that time, got around home to the drawer, and had then been brought, for the first time, face to face with a party to whom the payee had endorsed it over in remitting it to him by mail. This last party had never received the check. It had been stolen from the mail, his endorsement forged, and the check passed off upon a forged endorsement, cashed by John Jones, of Boulder, who had, as described, and in due course, forwarded it to the Rhodes National Bank for collection and remittance. The surprise named was a call upon the Rhodes National Bank by the last endorser to refund the money because it had collected the check upon a forged endorsement. The bank immediately fell back upon the stranger, John Jones, but within the two months that had elapsed he had made a bad failure and little or nothing could be obtained from him. He had cashed the check for the forger, who had disappeared, and, though innocent himself in the transaction, could help the Rhodes National Bank but little in the matter. The bank at once determined it would never again attempt to do a collecting business for an entire stranger—a tramp correspondent of whose responsibility it knew nothing.

COLLECTION PROFITS AND EXPENSES—OLD AND NEW SYSTEMS.

In old times—say thirty or forty years ago—under old State banking laws, and old-fashioned methods and machinery of doing a collection business, each bank was in the habit of selecting its collection agents, sending them by mail their collection paper, charging their customers very substantial rates upon all such paper, and passing the same to their credit when collected, and not one moment before, and after deducting from each item the heavy exchange charge. I was long brought very closely in contact with business of this sort, as it was done by a bank which had the largest collection business of any in the United States; and I can remember very vividly just "how we did it." I have in my eye now our great sheet, on which we had arranged the tariff of collection charges for all points, far and near, in the United States and Canadas. Nothing on that schedule below ½%, even for the closest home points, while ¾ and 1% were very common charges where the paper was not payable in our immediate vicinity. But, when we came to notes and drafts due all the way from 500 to 1,500 miles away, in certain conditions of the exchange market, 2 and 3% would crop out as an exchange charge.

On any discounted paper which was not payable "in town," the charges for exchange were large; and the exchange item on the books

of the bank was always sure to put in a very handsome contribution to the net earnings account when the semi-annual dividends were being figured for.

But, in those times, there was a comparatively small amount of this collection business to be done.

The country merchant paid his city bills by getting checks on the city from his nearest bank, for which he paid roundly, or by sending the cash.

Nowadays no country trader, no matter whether he is located in Deadwood or St. Augustine, thinks he is in fashion, unless he "pays" his New York or Boston bills by sending there his individual checks on his local bank, which gets all the advantage of his deposit till the checks come round for collection from the city banks, which have given their dealers immediate credit for them, and made no charge for their collection.

The establishment of the National bank system has played its part in this enormous increase in number and variety of the checks which are to be handled and collected by the city banks by increasing the public estimation at distant points of hundreds of small interior banks whose stability and character are generally guaranteed by the "National" part of their title.

And this very feature of confidence in such banks has added largely to the ease of collecting such checks.

There is also in our favor at the present time the very marked increase in the material facilities for correspondence and travel.

We now have banks in all places of much business. We have express trains in place of the old-time coaches, and we have mail facilities that are far in advance of those of former days.

Then we have the great express companies, for the leading express companies of the country and many of the small ones are managed with a skill and a system which command not only admiration but a very large patronage from bankers. There was a banking period when the express system was not in existence. In those days of a smaller breadth of banking than at present the banks somehow existed without the express companies, but it is now hard to see how they managed to do without them. Into towns and villages where there are no banks or bankers, and even no lawyers or notaries, the ubiquitous express companies now stretch their lines of connection and in such places do for the banks with skill, promptness and safety a collection business which it would be almost impossible for them to have done in any other way. Some banks are so much in favor of express companies as collecting agents that they even employ them freely in the work of making collections in cities and towns which are supplied with banks. This they do because they believe the express to be often the quickest and cheapest.

The details of the work have been brought into very modern and

practical shape by a deal of experimenting in the way of shortening and improving records and forms.

Any banker of long experience can easily recall the days when stamp machines for endorsing collection paper were unknown.

The bank officer of to-day with experience of the days when the pen did all, thinks with weariness of the time when as Corresponding or Collection-Clerk he was obliged to go through the drudgery of writing all the payable-to-order forms on the back of the paper he sent away for collection.

Now, the flexible hand-stamp, of most useful and cunning construction, is made by Messengers and junior clerks to do the work that was only done in former times by the pen of the bank officers who ran the Collection and Correspondence Departments.

I take the opportunity to insert a few forms which may be helpful and suggestive.

To save even the slight work of filling in the name of a payee Cashier, where small collections are to be scattered widely among corresponding banks, a form of endorsement of this type may be allowed:

PAY ANY NATIONAL BANK
or order, for collection for account of
THIRD NAT. BANK, TROY, N. Y.
John P. Henry, Cashier.

The safety and sense of this endorsement lie in the fact that there is little danger of making a check, forwarded for collection, payable to "any National bank," since "any National bank" may be presumed to be a safe correspondent. If by chance the paper so endorsed should fall into the wrong bank such a mistake would lead to no trouble, since the wrong bank would be only too glad to pass it along to the right one or promptly account for its proceeds.

There has sometimes been a question whether unmatured collection paper in the hands of a failed bank might not be covered into its assets by creditors of the suspended institution.

For this reason, whether the order be general as above, or definite as below, the phraseology of the second line is almost universally in use among our best-managed banks, as expressly limiting the ownership and interest of the bank to which it has been sent:

Pay MERCHANTS NATIONAL BANK,
N. Y., or order, for collection for account of
FIRST NATIONAL BANK, of Denver.
C. B. GOULD, Cashier.

A simple and concise form of a common remittance endorsement which cannot be improved is simply

Pay to the order of JOHN BRADFORD, Cashier.
THOS. JONES, Cashier.

In many country banks the Cashier does the entire work of the institution—opening the bank in the morning, discharging the duties of Book-keeper, Teller and Collection Clerk during the day, and shutting

up at night. Bankers who are thus crowded with hard work soon learn to perform every branch of their labors in the easiest manner. They use all the short-hand processes that are available and endeavor to mark out new quick cuts to desired results. In illustration of this point take the following cunningly-devised form of a letter of a country bank (see Form 20) for returning unpaid collections to its correspondents. This letter inclosed, as will be seen by the record, an unpaid draft, to which the drawee had replied that he would "write the drawer." The table of "excuses" is certainly a comprehensive and ingenious one:

FIRST NATIONAL BANK,
Southampton, Ohio.

August 11, 1890

Sight draft on Hayes Bros. returned herewith.

Reasons for refusal checked below.

Express charges ..... cents, which please remit. *S. A. MAY, Cashier.*

Payment refused, no reason given.	Claims credit for goods retd.
Acceptance " " " "	Wants extension of time.
Notice given, but no response.	Account not due.
Failed.	Never accepts drafts.
Closed up.	Cannot pay at present.
Not in town.	Does not owe this.
Parties cannot be found.	Has paid bill.
Refuses to pay exchange.	Should be less freight.
Amount not correct.	Draft not according to agreement.
Goods not received.	Will send check.
Goods not satisfactory.	× Party will write.
Goods returned.	Parties have written.

Form 20.

Under the pressure of the increased business and the competition between themselves, the banks in the central cities find it necessary to make all kinds of collection contracts with banks at other central points and all over the country. These contracts may be very simple, perhaps only a reciprocal account, when each will send and charge directly to the other all cash items due at their respective locations, and give correspondingly quick credit for all items of a similar description received.

But arrangements of this simple nature can only exist, usually, between a few banks at the larger points, and a much more common form of contract is that between a city bank and some centrally located bank in a neighboring State, by which the latter covers for the former all of its State, or even a larger section, and remits periodically, perhaps once a week, or once in two weeks, without any charge, for all its collections up to that date. It would be almost impossible

to mention the great variety of terms which are found in these different collection contracts, and which grow out of the desire of each bank to conduct its collection business by the best system, and at the least possible expense and the minimum of work, responsibility and delay.

I must mention one bad feature which seems to be on the increase. I have seen that some banks send their collection paper to the points where it is payable over routes not only far from direct but so extremely circuitous as to throw upon the senders a responsibility for not exercising diligence in case of non-payment and return of the paper. Interior banks are constantly competing for the Clearing-House city banks' work of collection and they sometimes contract to make collections for districts so wide as to embrace many points far out of any line in which they might naturally form the connection between the bank for which they are collecting and the point of payment of the paper received. Banks should be very cautious about entering into wholesale collection arrangements which have this element of danger and are so unbusiness-like in their character. Where the paper handled is small the work may run along without much risk, but a day will come when a check or draft for a large amount may linger so long on its collection travels as to take on an alarming aspect if after many days it returns dishonored to its owners. There is little need of giving any pointed illustrations of the objectionable workings of these around-the-horn methods of making collections. Every banker almost daily observes the absurdity of some collection trades of this description which have been made by one bank or another. Not infrequently a bank in a central city finds collections which it has sent to a bank in another State to be collected coming back again through some third bank to be placed once more in its collection line under some other wholesale arrangement. A note of caution in regard to this matter should be all that is needed.

Let me speak also of what I will style a *point of honor.*

Banks are expected to be exceedingly systematic and correct in the administration of their internal affairs. When a customer goes to a bank with a suggestion that there has possibly been an error in its interest computations, notices sent out, or some other thing, he often hedges against what he fears may have been his own error by venturing the polite remark, "The banks are always right, so I suppose I must be wrong." Banks should be correct standards in matters belonging to a higher range of duties than the management of the internal details. They should be just and honorable in their dealings with the public and with other banks.

To illustrate :

I have named as the most common forms of collection arrangement those in which the country bank makes the collections over a large district at par, remitting for the same once a week or once in ten days, or something of that sort, depending for its remuneration upon the

average balance which the business will under this plan yield. So far so good. The collections in this instance may be supposed to range in amount from checks or drafts of $10 to those of $1,000 or more. But when some deposit transaction leaves on the hands of the city bank a draft of, say, $25,000, payable at a handy point in the State alluded to, in such a case the duty of the city bank would be, of course, to send it for collection to the correspondent with whom it has made the arrangement referred to. If it does not do this and sends this large collection to some other bank in the locality where the draft is made payable for the purpose of getting, on account of its size, a cheaper collection rate than it would receive from its regular correspondent, it violates both the letter and the spirit of a contract which it has deliberately made and commits an act which is decidedly reprehensible. The proper way of action under the circumstances would be for the city bank to do as it had agreed—send the large check to its regular correspondent, simply calling attention to its unusual size and asking on that account for as early a remittance of its proceeds as the collecting bank may deem just and equitable in view of the fact that the periodical remittance arrangement was not based on the expectation of such large transactions.

A most useful record is a carefully-indexed book, containing a full record of all the collection arrangements the bank has in force with the various correspondents to whom it is in the habit of sending paper for collection and remittance. Thus, for instance, it may be desirable to know, on the instant, what sort of a collection trade the bank has negotiated with its corresponding bank in Worcester. An immediate reference is made to the letter "W" in the indexed manual, which may read as follows: "Worcester remits at par three times a month: reaches us 5th, 15th, and 25th." This statement, in abstract, is easily understood by any bank man. Useful information may be incorporated into this handy book in regard to collection prices. There are hosts of points in all parts of the United States to which National and other banks doing a large collection business are constantly forwarding, for collection, notes, drafts and checks. With these points they have no fixed collection arrangements. In sending paper to correspondents of this class the sending bank turns to its banker's almanac, selects what it believes to be the best bank at the given point—the bank, perhaps, having the largest capital and surplus—and to that bank sends the paper, trusting that it will collect it promptly and at a reasonable price. A condensed record of its experiences with these "casuals" should be made in the lettered collection *vade mecum* described, so that the cost of getting home the funds may be quickly arrived at in any future time when paper payable at that point may be offered for collection or discount.

So far I have considered the matter of collections just as it stands to-day, but with the exception of minor changes and savings, the

banks are just about where they were thirty years ago. Each city bank manages its country collection business on its own separate and independent basis. It makes, as far as practicable, its own special collection trades, which, as I have said, are of about every imaginable character. One country bank agrees to remit once a week or twice a week, once a month or twice a month, at par. Another bank prefers to take off a little something as an exchange charge, and remit at once, at par. Another agrees to collect upon the understanding that the bank sending collections shall keep a certain permanent balance with them.

The trades are well enough in themselves, but what should be done in these large places is this: All the banks in one of these places should combine in the selection of one of their number to do the collecting for all.

As the Boston banks have looked into this matter somewhat let us see what they found:

Very few are aware of the magnitude of the business of collecting checks on interior New England banks that is now done by the Boston banks, or the rapidity with which this work, which, in many instances, is work done for nothing, at one's own expense, is, and has been, increasing. In an able report, drawn up in 1877 by Mr. George Ripley, President of the Hide & Leather Bank, it was stated that the outstanding balances of the Boston banks on account of country collections amounted to $2,100,000; and the yearly expense of making these collections was then estimated at $229,000. The annual cost of this business at the present time has been set down at about $400,000, and the outstanding amount of the Boston banks' uncollected checks now foots up over $4,000,000. This is the situation.

Now, what can be done in the premises to improve these collection matters? We have before us a valuable report of a committee appointed by the Boston Clearing-House Association to consider the subject of New England collections, which presents for the consideration and acceptance of the banks a plan which is one answer to the question raised. The plan of this intelligent and experienced committee looks to the establishment of an agency in many respects quite like the present Clearing-House, which shall have no capital, and which shall nominally make no charge for its services, but whose expense shall be borne by the banks in proportion to the business done.

Without entering into detailed explanation or discussion of the methods and machinery proposed by this committee, we propose to present what may possibly appear a more practicable and more economical scheme for doing by the wholesale this country bank collection business, which the banks of Boston are now doing in a retail way, under many disadvantages and at large expense.

In 1824 the banks of Boston found themselves encumbered with the labor, risk and expense of sending home for redemption those country

bills of New England banks with which the city was flooded. After enduring for a time the retail method of attending to this work, they finally hit upon the wholesale idea, and inaugurated the Suffolk Bank system, the methods, machinery and complete success of which are so familiar to our bankers.

And, as to-day the situation of the Boston banks in the matter of country check collections is relatively the same as it was sixty years ago, when they had on their hands the problem of country bill redemption, let them adopt the same sort of remedy.

Instead of organizing an independent agency for doing the work in hand, let them contract with some one of their number to take on the business. Any well-managed city bank will find little difficulty in the work of simply extending its collection department by putting on a good staff of corresponding and assistant Collection-Clerks, and of assuming the entire country collection business of all its neighbor banks. It has now in full operation all the methods and machinery for transacting this larger work; all that is needed is an increase of power. If it takes on the country collection business of its neighbors, it will only have to make its regular collection letters longer and larger. And the larger business will enable this wholesale collection bank to make better terms with corresponding banks in the country, while corresponding banks will also reap very evident advantages from the concentration and centralization proposed. Seventeen hundred collection letters are to-day sent out from the Boston banks every twenty-four hours, although there are only 277 towns in New England which have National banks. Two hundred and seventy-seven daily letters would do all the business under the plan proposed, at a saving of 1,400 daily letters.

The economy of the plan we have suggested must be very evident, since, in addition to the saving in the matter of clerk hire, postage, stationery, etc., there would be a saving in the point of expense of the executive management of the business, a department which, under the plan proposed by the Clearing-House Committee, would of necessity be costly.

There would, in fact, be no question about the economic advantages of the plan of giving the collection business to some established bank; since such a bank is already in possession of the "plant" necessary for the transaction of such business, and could make money out of it, with a charge for exchange which would not support an independent Clearing-House.

We do, of course, expect to hear it said that our "ideal plan" is all very well, but that we cannot find any bank ready to take the labor and responsibilities of collecting all the country checks for all the Boston banks; but we are by no means sure of this, and believe in a vigorous hunt for such an institution, and what we say of Boston we mean should apply as well to other large cities. In New York,

Chicago, Philadelphia and dozens of smaller places the plan is just as practicable as in Boston.

As regards the risks of the business, all that can be expected of any collecting bank in city or country, or any collecting Clearing-House, is that they will consider themselves responsible for the exercise of due care and diligence in the matter. The individual banks sending in the collections, or the individual owners of the checks who deposit them, will, under any system of collection, have to bear the risks that are in addition to those we have named.

There are many incidental points of advantage in the wholesale system of collection advocated by us and by the Clearing-House committee which might be pointed out, had we space. We have only time to note one of these: In case of large aggregates of collections on central points, it might be advantageous for the city collecting bank to despatch special messengers, who should draw such checks at the counters of the banks upon which they are made, returning by evening express trains with their heavy invoices of city funds ready for the ensuing day's clearing.

We have often heard the late Jeffrey Richardson tell how, in the early days of the Suffolk system, he and the late William Lawrence had taken a carriage and pair, loaded up with country bank bills, which were to be redeemed, put aboard some pistols, and driven to Newburyport, Portsmouth, etc., fetching up at Groton at Mr. Lawrence's old home, and finally making State street. To-day there are many interior central points in New England which could be reached for collection purposes after morning deposits in Boston, and which could give returns in season for next morning's clearing.

CHAPTER VI.

THE BANKS' NOTARY AND PROTESTING.

In notarial business there are some points of interest which may not be known and understood by all. Any one can protest a dishonored demand. I can remember well when it was the custom of some banks to do their own protesting—do it through their own uncommissioned officers.

Records of presentation and refusal of payment would be formally made on a bank book, kept for the purpose, by the clerks of the bank, and the paper, if it was of the collection class, duly returned to its owners, with a statement of what had been done, in the way of demand and notification. These record books went into Courts, when suits demanded them, and they had good standing there. I have at hand one of these old style protest books. And even in these days, such a book, and such a method, have their places.

I sometimes receive circulars from National banks in Southern and Western States, asking for collection patronage, which say, among other things, that they cannot undertake to guarantee protests of dishonored paper, which has been made payable in places which have no notaries public. But these banks should bear in mind that the next best thing to a regular commissioned Notary is a "layman," who has intelligence enough to serve as a Notary—to make a demand, notifications, and a record, as I have described to have been an old-time custom.

Of course all banks understand what are the conspicuous advantages of a regularly commissioned, and sworn, Notary, with a big seal, formidable blanks, and a deal of experience in his work. His seal has a right of way in Courts which is not accorded to unprofessional work in the same line. Nothing can go behind it; there is no need of collateral testimony, witnesses, etc., to support it. The seal and the record, if the work is done as it should be, stand firm without aid of other support.

Never fail to employ notaries to do notarial work, when notaries can be reached.

The notaries public of our banks are, as a class, skilful, intelligent, and faithful men, who are fully aware of the responsibility and delicacy of their work, thoroughly acquainted with the laws and customs that rule their trade, and also men of courtesy and judgment, for they have many missions of a delicate and annoying character.

They hold a commission which is of very ancient origin, and under which, in some ages, very important and curious work has been done,

that is to-day altogether out of the notarial sphere of action. The trade is of Roman birth.

In Roman days the *Notarie* were so called from *notae*, or short-hand characters, in which they took down depositions, and minuted instruments. The notaries were not then, as now, public characters.

From Roman times to the present, notaries have been a recognized "institution" in all civilized lands. In France they have, to-day, a qualified judicial character. In Germany, they are almost always employed to make wills, frame appeals and draw contracts. In England, where, until quite recently, they held their appointments under the Church—receiving their commissions from the Archbishop of Canterbury—they administer oaths and affirmations, draw deeds, and attest instruments of a great variety of description.

"Go with me to a Notary and seal me there your single bond," says Shylock, that old note-shaver.

In the United States, the Notary's best hold is protesting unpaid paper. Sometimes the bank's notarial work is done by its solicitor.

But whether lawyers or "laymen," they ought, in order to do their work properly and with safety to themselves and their bank, to be thoroughly conversant with all the laws and customs relative to notes and bills—to know all about the rights and duties of all the parties to the paper they handle.

There seems little excuse, in these days, for the enquiring Notary, or bank officer, to be long deficient in any of these points, for thorough and concise manuals relative to these matters abound on every hand, and should be in every bank and notarial library.

The bank should never hand to its Notary for protest any piece of paper until it has made doubly sure that its non-payment has not been brought about by some error of the bank; and the Notary should not do the final work of protesting till he has given parties to the unpaid paper reasonable opportunities to correct errors that have been made by themselves, or some one else, which have led to the temporary dishonor of the paper.

And it seems to me that the Notary who spends his time, after bank hours, in running around after promisors, acceptors, etc., who have not paid their maturing paper, and who finally gets its face, but is minus notary's fees, ought to be compensated by some one. Common sense would suggest that that some one should be the party whose error has led to the non-payment of the paper at the proper time and place—at the bank before close of banking hours.

Of course where a Notary is doing a heavy protesting business he can afford occasionally to make such a collection without receiving a fee but the unpaid cases should be the exceptions.

There is a quite wide-spread impression among business men—especially among parties who have had to pay many protests on paper which might just as well as not have been avoided had they

paid proper attention to their business, that the work of a Notary is light, heavily paid and quite devoid of risks and responsibilities. This is far from being the case.

The notarial profession, like all others, has its shady side—its especial cares, responsibilities and labors which are only known to the experienced.

Many of our best notaries feel a deep anxiety about their work and hold that it is by no means overpaid. Their transactions, of which the law requires they shall keep a full and accurate record, are sometimes the basis of sharp legal contests, and in person and by book they are often summoned to the witness stand.

I have known faithful notaries, who have been very much burdened by their duties, so annoyed and badgered by suits for alleged mistakes in the discharge of their work, and by other causes, as to be anxious to get out of the business.

RESPONSIBILITY OF BANKS FOR THE WORK OF THEIR NOTARIES.

There is a question of interest relative to the connection between the banks and the notaries public whom they use which should be discussed here.

If the Notary to whom the bank has delegated these very important and delicate duties makes an error in his work—if for instance, in protesting a note for a bank, he fails to make the proper demand upon the promisor, or neglects to notify the endorsers as they should be notified, and, through errors of this nature, brings loss upon the owners of the dishonored paper—he would certainly be held primarily responsible for such loss.

The important question we have in view is whether or not the bank which has delegated to him these duties can be held responsible in case the Notary has, by his action, incurred losses which he is himself unable to make good. This is a point which has not been legally settled. There are no decisions on record covering such cases.

To avoid risk, it is certainly desirable that this agent should be of some financial responsibility, in addition to his other qualifications.

Our own opinion, however, is, that as the Notary Public is a State official, a sworn and independent officer, receiving his commission directly from the Governor, he is thus rendered solely and independently accountable for the results of the work which he performs in his official character. The fact that he has been specially designated by a bank to perform for it this notarial work does not throw upon that bank any accountability for his work. He is not really the agent for the bank, and is not so viewed from a legal standpoint, but he is an employee of the Commonwealth, doing for the bank a duty which it cannot itself perform or empower any one but such an officer to do with the same effect. Banks are certainly responsible for agents whom they have appointed, but they are not responsible for work done by officers in whose selection for the work they had no hand, and whose

duties and liabilities are specifically described in the statutes of the State appointing them.

This very important and intricate question might assume a far different aspect if the Notary were a clerk of the bank for which he was acting as Notary.

There are no legal obstructions, either in the National Bank Act or in the statutes of any State, to the assumption of notarial work by bank employees of any class, and officers of banks quite frequently hold notarial commissions. But it is certainly an open question whether such a combination of duties is to be recommended for work of this delicate and responsible character.

It has been urged, with no little degree of reason, that where a bank officer serves as Notary all the responsibility and risk of which we have spoken might, through that one fact, attach to the bank of which he was a clerk.

In the matter of the delicacy of their professional duties, it may be well to remember that there have been cases where the charge has been made against bank-officer Notaries that they have been unduly willing to protest paper which, by error and forgetfulness, has been left unpaid on the hands of their bank, when a little extra pains on their part, as bank officers, would have kept the paper out of their hands as Bank-Notaries.

PROTESTING.

In taking in collection paper, clear instructions should be obtained from its owners as to whether or not it should be protested in case of non-payment.

It by no means follows that a formal protest is not desired because the paper bears no endorsements. Many banks make it a rule to protest all unpaid paper unless otherwise ordered, and I think the rule a good one.

No dishonored paper should be passed into the hands of the Notary by the Tellers, or any subordinate officers of the bank, until it has been shown to the Cashier of the bank. Protesting is a disagreeable last recourse, and before taking this step the bank must carefully assure itself that it has discharged every previous duty to the paper, and that there are no mistakes hanging over and about it. By this course much ill feeling, suits for damages, and loss of money by the bank, may often be avoided. Every officer of a bank and every man issuing paper should know the leading points relative to the rights and duties of promisors, endorsers, acceptors and drawers of paper, and there are plenty of books at hand which will post him up in these points.

Below is given in detail a legal point or two that belongs to this question of protesting:

The law in regard to protest (taking the word in its strict sense as the act of a *Notary Public*) is as follows:

Protest *must* be made of foreign bills. The only exception is where it has been

waived by the party sought to be charged, or where, through peculiar circumstances, protest is impossible, *e. g.*, where no notary can be procured.

Protest, though customary, need not be made in the case of inland bills or of promissory notes. *At common law* the Notary's certificate is not even admissible in evidence in such cases. But, in Massachusetts, by statute, the certificate is made admissible and *prima facie* evidence of the facts stated, in case of *all* bills, notes and orders. The States of the Union are foreign to each other in this respect.

As the liability of the endorser or drawer must, in general, be fixed according to the laws of the State or country *where the dishonor occurs*, it should be noticed, as a possibility, that some States may have passed statutes modifying the common law, by *requiring* the protest of inland bills and promissory notes. But this is not very probable.

In the matter of protesting sight drafts in States where grace is allowed, there is a point of interest which may not be understood by all bankers. It is this:

Where these sight drafts are received for collection, it is not always clearly incumbent upon collecting agents to protest such drafts for both non-accptance and non-payment in cases where there is a refusal to honor the paper.

If it seems clear that there is no possible chance of the ultimate payment of the draft—if the drawee declares positively that he shall have nothing to do with it—simply extend upon it a protest for non-acceptance, and return it.

Where a maturing note is payable at a particular point—at some specially-named bank, for instance—the law requires that it must be there presented before it can be protested, and within hours when it is customary for some person competent to answer demands for payment to be present. It is not positively necessary that the demand should be made during what are considered the regular business hours of the office where the paper is payable. The bank may, for instance, close at 2 o'clock, but if its responsible officers, who are competent to respond on a demand of this character, are in the habit of being there until 3 o'clock, a demand upon them may be made up to that hour.

While I have advised that all protesting be done by a Notary I have said that under some circumstances "protest" may be effectually made by persons holding no notarial commission, and many of our interior banks have a habit of treating a portion of their endorsed unpaid paper, in cases where it is their own property, in this way. If they are quite confident that the paper will be ultimately paid by some of the parties to it—that it has simply been forgotten, or something of that sort, and that there is, at any rate, no prospect of any future contest over it—they simply make upon their own books a record of its demand and dishonor, and also a record of the sending out of notices to endorsers—notices sent by themselves.

The express companies have to act on this principle in some of their collection business. They dislike to take collections on points where there are no notaries. Some of them even endeavor to decline business of that class. Yet if pressed they will generally give way, for they are prepared to get along with their non-payments without a Notary by the

following letter of instruction (see Form 21), intelligently drawn up by one of the largest Express Companies :

——— EXPRESS COMPANY.

NOTICE TO AGENTS.

The collection that accompanies this is due.....and must be presented to..... on that day for payment, and if not paid

MUST BE PROTESTED.

In order to have this done you will hand it to a Notary Public, or, if there is no Notary Public in your town or vicinity, present it to a Justice of the Peace or Magistrate for that purpose. In case there is no Notary Public or Justice of the Peace in your vicinity, you *must make the demand* for the payment—this should be done in presence of a witness—and, if not paid, you must immediately notify by mail each endorser that demand has been made and payment has been refused and that the holder looks to him for payment. This notice must be sent by the first mail after the demand has been made, and you must be prepared to prove, on your oath, the date and time of making the demand and of mailing the notices. To assist you in doing this you had better make some memorandum of it at the time. In case you are not furnished with the address of the endorsers you should write the notices to the endorsers and inclose them to the Agent at the office from which the collection was sent. It will be his duty to mail the notices to the proper address AT ONCE.

Unless it is protested on the day it is due the endorsers will be relieved and the Express Company will be made liable.

(Signed,) ...., *Manager and Sup't.*

(Form 21.)

PROTESTING LOST AND MISLAID PAPER.

The exercise of due care, and the existence of a proper system in the administering of the internal affairs of a bank, will reduce accidents hinted at in this heading to the minimum. I have, elsewhere in these pages, pointed out the many ways in which losses of papers in banks and by banks, in the transaction of their inside and outside work, may be avoided. But let bank officers be as careful as they may, they will, now and then, lose and mislay notes, drafts and checks. These will sometimes disappear in the most unaccountable manner. Sometimes the lost papers will suddenly reappear, and quite commonly when their usefulness has long come to an end. They will turn up in overlooked corners, in books into whose leaves they have by accident been shut, will come back from points to which they have by accident been sent, and, in other ways, will come home when they can do no good, to illustrate by their career the total depravity of inanimate things.

When checks, drafts, notes, etc., are, to all appearances, lost beyond all hope or possibility of an early recovery, the careful banker is at once on the alert to do several things, which, in his eyes, appear absolutely necessary.

Papers which are safe enough when in the right hands may become sources of danger in wrong hands. Where these valuable papers have disappeared, as described, their payment must be duly stopped, at all their natural paying points, by the most careful and formal notices. All the parties to the papers must, if possible, have early notice of the loss; and, in many instances, the banks which have lost the papers assume a dangerous responsibility, if they do not, at once, advertise

their loss—a responsibility to innocent parties who may unwittingly negotiate the lost paper.

I have known many instances where banks have suddenly found missing—or have missed finding—paper which was maturing on their hands and which must be collected or protested, since there were endorsers to be held by due demand and notice through formal protest by Notaries.

Such a situation emphasizes that necessity, of which I have in another place spoken, that a bank should see to it that, as far as practicable, it has on its record books, covers, etc., a full descriptive record of all paper that it holds for discount, or has taken on for collection, and that it does not depend upon the chances of some one else, who has an interest in the paper, having this story at hand.

For, if a bank has, right at hand, a full description of the missing notes, drafts, or other documents, it can make demands, receive payments, and protest, and send notices of dishonor to all parties to the papers in an effective manner.

PROTESTING A JOINT NOTE.

The bank had for collection an endorsed note whose promisors, in a joint capacity, were two individuals, one residing in the place where the bank was located and the other living and doing business in a distant city. This note was not written payable at any particular point, and the day of maturity arrived without payment. It must now be protested, and the question arose as to the way this should be done, and how demand should be made and notices sent to firmly hold the endorsers.

It was evident enough that it should have been made payable at some special point, but it had not been so framed, and what, under the circumstances, must be done with it? The course taken was the only safe one. A demand was made at once upon the promisor in the place where the note was held, and notices of his dishonor of the paper sent to the endorsers. Subsequently the unpaid note was forwarded to the city where the other promisor was located, a demand made upon him for its payment, and notices of his refusal to pay promptly sent to all the endorsers. There was a legal fight over the note, the endorsers refusing to pay on the ground that a proper demand had not been made on both the promisors. The decision finally reached in the case was that the holding bank could not have done better in the matter of demand and notices, and that it made the only legal protest possible.

NOTES PAYABLE AT A BANK.

It was a note for $5,000, bearing many endorsements. The bank held it for collection. At its maturity the promisor went to the bank in person and said he could not pay the note, that he had suspended payment, and that there would not be the slightest use in taking the trouble to present the paper at the somewhat out-of-the-way bank where

it was written payable. The note was duly given to a Notary to protest, and he was told that the bank had made a personal demand upon the promisor and that the promisor had positively refused to pay it.

The over-zealous Notary followed the somewhat risky and unusual course of making out his protest and notifying the endorsers without making a demand for the payment of the note at the bank where it was made payable.

A lawsuit over this method of protest was the result, the endorsers taking the ground that they were released because the proper demand had not been made upon the promisor. The Court held that the endorsers must pay; that as the note would not have been paid if it had been presented at the bank where it was made payable, and payment had been personally demanded from the promisor, who had assured the holders that it would not be paid by him under any circumstances, there was no loss to the endorsers through the alleged neglect of the Notary, and that they had not in any way been placed at a disadvantage by his course in the matter.

The action taken in this case by the collecting bank and its Notary is not by any means one to be recommended, yet, endorsers of paper should be taught by its results that the law does not permit them to evade responsibility when equity, justice and common sense is against them.

NO RESIDENCE NOR PLACE OF BUSINESS.

The man bought a four months' note, given for a thousand dollars, not made payable at any particular place. It bore the endorsement of several good parties, whose places of business or residence were well-known to the owner of the note; but, as for the promisor, neither the holder of the note, its endorsers, nor any one else who was acquainted with him accessible, had any knowledge of his whereabouts. In fact, this signer of the paper had no regular place of business nor known residence.

The paper remained unpaid at maturity, and the holder being unable, for the reasons we have given, to make any formal demand upon the promisor, did not attempt to protest it. He promptly informed the endorsers of the note that it had not been paid, but did not himself, or by the hands of a Notary, make any record of a demand upon the promisor on the day of the maturity of the paper. The endorsers took exceptions to his course, and refused to pay on the ground that the holder of the paper had, by his negligence, legally released them. In the legal contention that followed the decision was reached that where a promisor has no known location there is no absolute need of a protest to hold endorsers. Though such may now be the law, a far better course of action in cases similar to the one we are describing, would be for the holder of the unpaid note to place it at once in the hands of a Notary, and have him, in due form, record the fact that he had made diligent and ineffectual search for the promisor, and send to

all the endorsers immediate notice of this fact and the non-payment of the paper.

GETTING ACCUSTOMED TO BEING PROTESTED.

I have spoken of the delicate, and often painful and disagreeable, character of that part of a Notary's labors which relates to protesting dishonored paper. He is often called upon to make demand and send notices of dishonor upon paper which is for the first time sent to protest —to stamp with his unwelcome seal names which have for generations stood high, and which have never before been placed under protest. At such times, and under such circumstances, the notarial officer is not unseldom a witness to no little mental distress and depression on the part of promisors who are placed in the (to them) novel position of being obliged to respond "No funds."

Yet the reflections I have here indulged in are a little relieved by a bit of testimony in the premises, which has been given me by a Notary of large and long experience. He fully endorsed all I have just said about this matter. "Yes," said he, "I have had many and many an experience such as you have described. I have entered the counting-rooms of old and honored merchants, whose names had always stood unquestioned, to hear them say, for the first time, 'We cannot pay—we have suspended,' in a way so despairing and sorrowful as to excite my deepest sympathy. But human nature is, my dear sir, wonderfully elastic. It would surprise you to see how quickly people of this sort will get reconciled to the situation; how soon I am almost welcomed with a very cheerful and glib 'No funds' by parties who, in my first calls, were well-nigh prostrated by the necessity for my presence and action."

CHAPTER VII.

THE DISCOUNT CLERK AND THE LOAN.

Banks earn dividends by loaning their money—by keeping up their loan, and getting remunerative rates on it and by not making *bad* loans.

A portion of the loans of many banks consists of investments in solid bonds, which require little attention, cause little anxiety, and can be depended upon as a reserve nearly as reliable as legal tenders, or gold, when panics and deep stringency causes the line of deposits to waver and shrink. But the bulk of the loans of our banks consists, of course, of commercial paper, and time and demand loans upon collaterals of many descriptions. What with the demand and time paper in the files of the average bank of to-day, the entire loan will generally average due (run off) in sixty days. Thus, a bank with a couple of millions capital, a half million surplus, a couple of millions of deposits, that may be generally depended upon to stay, and a million of circulation which may be depended upon to stay out, has five and a half million dollars to keep loaned, less reserves held. And, divide this amount by sixty, and you have the amount which the bank managers have to invest in paper, etc., each day. That is, the entire loan of four or five millions rolls over in sixty days, which is at the rate of about eighty thousand dollars or so a day.

Now, how is this loan kept up? In what way is this daily heavy investment made? Who makes it, and what are the methods of procedure in buying all this paper and loaning all this money on collateral? In these premises methods vary in different banks, but I think the various ways of procedure can be easily and concisely explained. Keeping up the loan is mainly done, as we have indicated, by introducing into it discounted business paper; for properly managed banks generally recognize the fact that their charters were given them for the purpose of establishing institutions that should be, to a certain extent, the wings of commerce. The chief business of a Board of Directors is supposed to be the selection and purchase of this paper. For this reason it is highly desirable that every Board, in its make-up, shall represent all the leading branches of trade, manufacturing, etc., in the district where the bank is located; for a Board of this varied constituency is extremely useful in discriminating in the matter of credits.

The discount-seeking paper appearing before the Board comes from depositors—dealers with the bank who are understood to stand first in claims upon it on the ground of the value of their current, non-interest

paying balances which they keep with it. Their claims resting on such a basis must, of course, other things being equal, be gauged or graded, by the size of these daily balances.

It is also presented by outsiders—merchants, brokers, etc., who have an idea that the bank is in funds to discount paper in excess of the regular offerings of its line of depositors.

I suppose every one knows that in these modern days brokers in paper—a profession hardly known 40 years ago—supply a vast amount of the business paper which lines the discount trunks of our banks, and that a very large class of business men, who keep bank accounts and borrow money, prefer to borrow through these paper brokers.

Paper that is offered between Boards—and Boards usually meet but twice a week—is generally passed upon by the President, Finance Committee or Cashier, or by all combined. But such as may be accepted is all "read off" at the first meeting of the Board; and in the best managed banks, a single growl of dissatisfaction over any piece of paper taken in the interim named, will lead to its earliest possible sale from the loan.

A "one man bank" is not to be held up as a model.

Directors are chosen so that there shall be a division of responsibility and that wisdom and safety which comes from a multiple control. And Directors who are not willing to attend to their duties and assume their share of responsibility ought to go into some other business. And any bank President, who is anxious to do everything, and assume all the responsibility, ought also to go into some other business—perhaps that of private banking.

THE DISCOUNT CLERK.

To use a phrase which is a favorite with the accomplished officers of a well-known bank, "A man ought to have a good head on him for banking" to make a competent Discount Clerk. His position is one of the most important in the bank. His duties are of a character requiring skill, rapidity and accuracy, and he has certainly good opportunities for making use of fine abilities for figuring and systematizing, as there are few places in a bank where short and intelligent processes, and bright, advanced ideas in methods tell better than in the Department of Discount.

His position, in the matter of promotion line, is next to the Cashier. Or perhaps we had better modify this statement a little by saying, that in banks which have both Paying-Tellers and Discount Clerks, these officers stand on about the same round of the ladder up which bank officers climb to the offices of President and Cashier in those best-arranged banks where civil service promotions are the order of march.

The nature of the duties of such offices as Collection Clerk, and Corresponding Clerk, are of a character somewhat better adapted to qualify their holders for the higher positions of Cashier and President

than are those of Teller and Book-keeper. But able clerks may take comfort in the fact that it does not, after all, make much difference how a man starts in a bank, if he has the right stuff in him and buckles down early to the resolution to learn all there is to be learned about banking.

The utmost caution and carefulness are demanded in the administration of the details of the business of making loans and discounts. This division of the bank must be managed in a most systematic and exact manner. Here are some special maxims which the Discount Clerk should strictly adhere to:

All contracts made with customers for money advances, either in the way of loans or discounts, must not be left hanging upon the slender and easily disconnected thread of a simple verbal engagement made between the lending bank and the borrower. Just as soon as the bargain is agreed upon a clear and most explicit entry of the trade in black and white should be made in full upon that book of the bank which is known as the Application Book, and the correct and prompt keeping of this book must be always insisted upon. When the record of this negotiation has been made, it should be marked with the approving check-mark of the Directors of the bank, signifying that it is correct and as agreed upon in all points.

All calculations of interest and all filing and covering of notes in the Discount Department should be examined by a second pair of eyes. The examiner in this case may be detailed from any other department which may be able to offer for the purpose an officer who has the time and ability to do work of this class.

In his intercourse with customers of his department the Discount Clerk should exercise the most careful judgment, extreme courtesy and invariable promptness. He should carefully avoid making any reference to the special duties and operations of his department out of the bank, when such reference can by any possibility lead to the public exposure of facts which it may not be advisable to have known outside of the bank.

DISCOUNT RECORDS.

Some banks, and some even which are large and systematically managed institutions, keep no sort of an Application Book. The person borrowing money of such a bank—making a loan negotiation with it, of any sort—simply goes to the Manager, shows his security, makes a verbal trade, and passes along to the Discount Clerk, who puts the negotiation through the books, giving the borrower his money or credit. But it is far better to have every such negotiation entered first upon an Application Book, where, before a figure is made upon the other regular books of the bank, all the leading facts relative to the proposed transaction shall be clearly recorded, so as to avoid all mistakes and misunderstandings. Under the old State banking system, the laws of many States required that every bank should keep an

Application Book, and also obliged the banks to enter upon this book, not only all the accepted applications, but all the applications that were made, whether they were accepted or not.

I have before my mind's eye one of those old-time Application Books with which I had to do. It was a cumbrous volume, well crammed with applications of every name and nature. When the old-fashioned State Bank Examiner came along, he used always to call for this book and look it over carefully to see what was the drift of the discounting business we did and *did not*.

It was our habit to paste in all the original application letters and sheets and bits of sheets; so, as a consequence, the Application Book became in time a crowded scrap-book.

It should certainly now be an iron rule in every bank to have every application for a loan that has been accepted — that is, every trade for paper, etc., that has been made by the bank—at once recorded upon a well-ordered Application Book.

Memory is often treacherous; misunderstandings are always turning up; the President may forget; the customer may forget, or misunderstand; so put it down in black and white, at once; and then, whether the paper or other security come after, late or early, there will stand the terms relative to it.

Here is a perfectly simple and practicable form of an Application Book, which can be used advantageously by any bank. (See Form 22.)

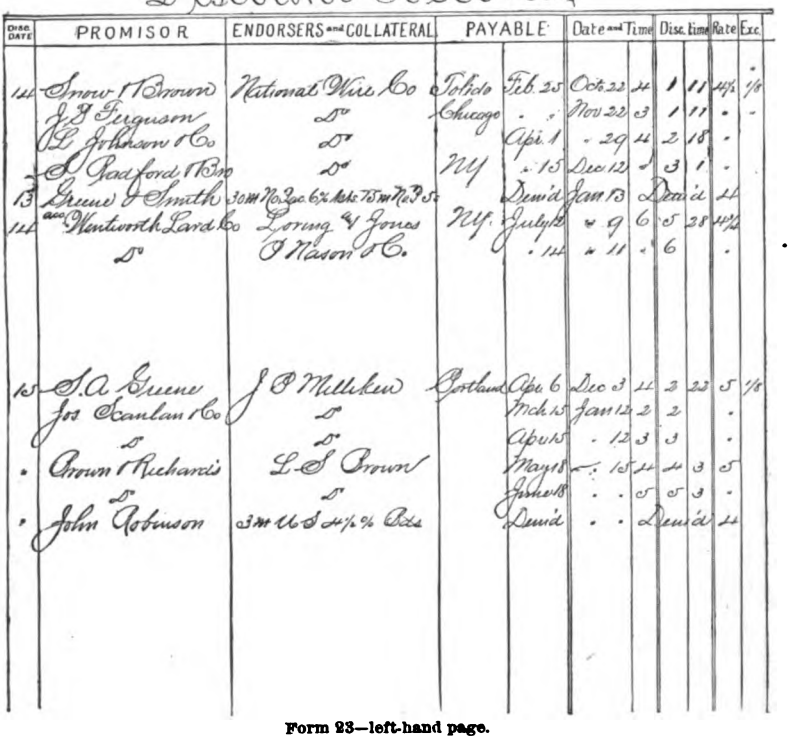
I once knew of an excellent bank which had a most singular experience with its President, which experience comes under the head of discounting; and I think it just possible that this bank would have escaped its disagreeable complications if it had kept a good

Applications for Loans and Discounts.

Date of Application.	*Promisors and Acceptors.*	*Endorsers and Collateral.*	*Where payable.*	*Rate.*	*Due.*	*Amount.*	*For whom Discounted.*
1890.					*1890.*		
July 28.....	James Brown.....	William Brown.....	New York.....	6	January 30	$10,000	James Brown.
" 28.....	William Jones.....	Peter Smith	Albany.....	6½	August 31	6,000	William Jones.
" 29.....	Enoch Robinson	John Glover.....	Philadelphia.....	6½	Sept. 1	5,000	E. Robinson.
" 30.....	James Edwards.....	100,000 U. S. 4½ ℅ bonds...	Boston	5	Demand	100,000	James Edwards.
" 31.....	George Loring	40 shares Lowell R. R	"	5	"	4,000	George Loring.

Form 22.

formal Application Book. The President in question, a most able and estimable man, began, through ill health, to lose his mind while in



Discount Record.

Disc. Date	Promisor	Endorsers and Collateral	Payable		Date and Time		Disc. time		Rate	Exc.
14	Snow & Brown	National Wire Co	Toledo	Feb. 25	Oct. 22	4	1	11	4½	1/8
	J. J. Ferguson	D°	Chicago	" "	Nov 22	3	1	11	"	"
	L. Johnson & Co	D°		Apr. 1	" 29	4	2	18	"	
	S. Radford & Bro	D°	NY	" 15	Dec 12	2	3	1	"	
13	Greene & Smith	30 M No. Zac. 6% Asks. 75 M No. P. 5		Dem'd	Jan 13		Dem'd		4	
14	acc. Wentworth Lard Co	Loring & Jones	NY.	July 12	" 9	6	5	28	4¼	
	D°	P. Nason & C.		" 14	" 11	"	6		"	
15	S. A. Greene	J. P. Milliken	Portland	Apr. 6	Dec 3	4	2	22	5	1/8
	Jos. Scanlan & Co	D°		Mch. 15	Jan 12	2	2		"	
	D°	D°		Apr. 15	" 12	3	3		"	
"	Brown & Richards	L. S. Brown		May 18	" 15	4	4	3	5	
	D°	D°		June 18	" "	5	5	3	"	
"	John Robinson	3 M U. S. 4½% Bds		Dem'd	" "		Dem'd		4	

Form 23—left-hand page.

harness. His condition was so peculiar that his weakness was at first hardly noticeable. He was "solid" in every direction but one, and that one was a fatal failing for a bank President. He suddenly took on the idea that there was no end—no bottom to the resources of his bank, and so began taking every piece of paper—every loan that was tendered him. Brokers presented long lists. "I'll take the lot," was the quiet verdict of the amiable President. As may be supposed, this sort of thing did not go on long.

The most formal and important book kept by the Discount Clerk is the one in which he enters the full record of all his discount transactions. Other books of his are aids of, and adjuncts to, this book; this book is the central book of his department. On pages 122 and 123 (see Form 23—left and right-hand page) is given a sheet from it—which readily shows its entire character. This form, like all those which I present in these pages, is from a book in daily practical use in a bank, and has been selected from many styles to which I have had my

attention called. The figures need no explanation. Any junior bank officer can see through them by a little study.

January, 1890.

Date	For whose account	Amount	Disc. and Exc.	Net	LOAN	Rec'd	From whom
14	amount forward	71411 92	951 36	70460 56	3790129 38	630 63	L.A.M.Co.
14	Nat. Wire Co	1604 40	10 23	1594 17		150	A.W.Co.
		758 23	4 84	753 39		10749 12	P.Mfg Co.
		4000	39	3961		5000	S.W.Co.
		2770 59	31 51	2739 08	9047 64	720 83	J.H.L.
	Greene & Smith	40000		40000	40000	650 29	D.S.Co.
	Pt. of Chase & Co	6400	150 31	6249 69		1187 50	A. Mills
		10000	237 50	9762 50	16012 19	951	G.G.
						3100	S.H.&E.
					3855189 21	250	D.F.L.
						4793 10	T.C. 1/28
						15000 D.	J.Co. ppt
15	J.P. Milliken	2103 62	26 59	2077 03	44321 97	1139 50	A.B.K.
		3500	29 17	3470 83	3810867 24	Jan. 15th	
		3500	43 75	3456 25	9004 11	2205 61	S.&H.
	Brown & Richards	5000	85 42	4914 58		1309 28	G.&C.
		5000	106 25	4893 75	9808 33	5000	A.A.J.
	John Robinson	3000		3000	3000	5000 D.	T.D.&A.
		159048 76	1715 93	157332 83	1715 93		
					3834395 61		
					13514 89		
					3820880 72	Jan. 16th.	

Form 23—right-hand page.

MATURITIES.

Under this title the Discount Clerk keeps a book which is a record or tickler showing a complete list of all his paper arranged in the order of its maturity, and each piece is written into its proper place in the list at the time of the other records, that is, as soon as it becomes the property of the bank. Such a list should show when the paper was taken and give a fairly full description of each piece.

A good point which has been put in successful practice under my observation, of which I have seen the value, is to make against each note a minute of the rate at which the paper was discounted.

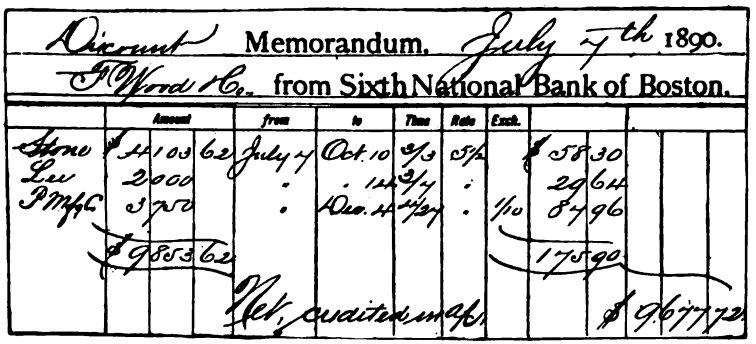
One important use of this minute can be made when, in making up semi-annual statements of net earnings in preparation for declaration of dividend, an endeavor is made to get at a pretty accurate estimate of interest unearned.

A secondary use of this interest record is that which the bank Manager makes of it, when he turns to its figures to discover what rate

he last charged on a maturing note which now comes up with a call for a renewal.

MEMORANDUMS AND TICKETS.

In casting interest upon paper which is passed into the loan of a bank, and the net proceeds of which are either placed to the credit of dealers with the bank, paid at once to borrowers through the Paying-Tellers, or remitted to them by mail, it is extremely desirable that the parties for whom the discounts are made should be furnished by the Discount Clerk with a statement in detail of the figuring of the paper discounted, recapitulating the dates, time to run, and gross and net amounts of the paper and interest deducted. This can just as well as not, be made out in a neat and systematic form on blanks specially prepared for the purpose. Statements so executed evidence a thoroughness and intelligence which reflect credit upon the methods of the institution employing them. Here is a model form of the character we have suggested: (See Form 24.)


Discount Memorandum. July 7th 1890.
G. Wood & Co. from Sixth National Bank of Boston.

	Amount		from	to	Time	Rate	Exch.			
Stone	$ 1,103	62	July 7	Oct. 10	3/3	5%		$ 58	30	
Lee	2,000		"	" 14	3/7	"		29	64	
P. Mfg. C.	3,752		"	Dec. 11	4/34	"	1/10	87	96	
	$ 6,855	62						175	90	
			Net proceeds					$ 6,677	72	

Form 24.

When the proceeds of the paper discounted are handed to a borrower by the Paying-Teller, or passed to the credit of a dealer with the bank by the Receiving-Teller, one of these statments of the discount transaction should also be handed over to the customer.

When the discount is to be advised or remitted by mail the letters of advice or remittance should also cover one of these statements. They are of special convenience to the Book-keepers and clerks of those parties for whom the paper has been discounted, and they fully appreciate the convenience of having before them for comparison the bank's statement of its figuring in detail.

Where the discount operations are between banks and corporations which are subject to periodical examinations by auditors these statements of discount transactions are also particularly serviceable.

THE DISCOUNT CLERK AND THE TELLERS.

The business connection between these officers is close and frequent, and their systems of transacting details of matters coming

between them and intertwined in their departments should be of the most methodical type. Thus, for instance, the Paying-Teller is being steadily called upon by the Discount Clerk, in a bank where the loaning transactions are constant and heavy, to pay out over his counter the proceeds of paper discounted or of loans made. In the press of business, and when customers are in a hurry, the Discount Clerk, may be tempted to speed matters by giving hasty verbal orders to the Paying-Teller to make the payments in question with the understanding that he will in due time pass over to the Teller the written pay-loan ticket which is in common use in all well-regulated banks. The waiving of the immediate use of this ticket—and indeed, all payments upon verbal orders—should, if possible, be avoided. The money goes out in such cases voucherless; and, if the Discount Clerk happens to forget to follow the payment with the ticket, the Teller may find his cash in confusion and short—at the close of business. Here is a good form of a pay-loan ticket (see form 25)—an order which should, as we have said, precede all payment made by the Paying-Teller of money which has been negotiated for through the discount department:

October 21, 1890.

Pay Salem Mill Co. $5,000

Charge Loan. James West, Discount Clerk.

Form 25.

Loans made by a bank are often passed to the credit of customers on the books of the bank instead of being paid out over the counter—made, or added to a credit balance upon which the customer is to draw at his pleasure. In such a case the Discount Clerk gives to the Receiving-Teller a similar ticket only so varied as to be a "Credit" instead of a "Pay" loan ticket, as below. (See Form 26.)

October 21, 1890.

Credit Jones Iron Co. $10,000.

Charge Loan. James West, Discount Clerk.

Form 26

In this, as in the direct payment made over the counter, the Teller should not make the credit until he has received the ticket, and thus avoid depending on the discount officer's recollection of his verbal orders.

The Paying-Tellers are also often called upon to credit loan with amounts of partial payments made upon demand notes. In such cases they do not have the covers of the notes from which to make their credit entries, for these covers remain with the unsettled notes in the hands of the Discount Clerks. The Paying-Tellers will therefore need credit tickets which may be of this description and the Discount Clerk cannot feel that his duty is done until he has made sure of a proper disposition of the payment received by furnishing the Teller with this credit ticket: (See Form 27.)

TENTH NATIONAL BANK, Oct. 21, 1890.

Credit Loan

Partial payment by J. S. M.	$10	00

Form 27.

The Discount Clerk should take special pains to see that all the entries bearing upon or connected with his department are rightly made by the Tellers. This he can do by daily checking off at the close of the day's work the entries in question and by comparing his balances with those of the Book-keeper.

TAKING CARE OF THE NOTES.

In most banks both the discounted and collection notes are placed in wrappers, or what banks term "covers." The notes are neatly folded within these covers and placed in files in the order of their maturity.

Upon the face of the cover is a complete description of the enclosed note and a proper record of the transaction through which it came into the bank; that is, in the case of a discounted note, for whom it was done, when, and on what terms. An advantage in the use of covers is that the Clerk has a clear, systematic, and uniform record from which to make the entries on his books.

Again, as some of these notes are payable in the place where the bank is located, and others payable at distant points, it is quite an object with the clerks handling them to have some easy method of distinguishing the one from the other at a glance as they rest in their files. For this purpose the practice of using covers of two colors has been happily introduced—a plain white color, for instance, for the in-town paper, and some clearly distinctive colored paper for those notes which are to be sent away for collection. A more modern practice

than covering notes is that of filing them away in portfolios. These wallets or cases are divided into as many departments as there are days in the month, and there are also in steady use as many portfolios as may be required to meet the month demand of the departments.

ACCURATE INTEREST.

The Treasury Department pays accurate interest, founded on 365 days in the year. To find accurate interest, count the actual number of days, find one year's interest on the given sum at the given rate and take as many 365ths of this interest as there are days in the given time, thus: Wanted true interest on $1,000, at 6 per cent., from May 17th to July 18th, or 62 days. One year's interest is $60. $60 ÷ 365 = 0.16438 × 62 days = $10.19177, or $10.19 true interest. Or, multiply one year's interest on the given sum at the given rate by the actual number of days and divide the product by 365, thus: $60 × 62 = 3720 ÷ 365 = $10.19177, or $10.19 accurate interest.

A MARK OF OWNERSHIP.

In the management of this department, as well as in the management of every department of the bank, every possible check against losses by errors, carelessness, and dishonesty, should be rigorously put in force. Here is an idea in regard to safeguards in managing the loan that is worth considering and adopting:

The paper in this department is negotiable paper. It is lying along, in its progress towards maturity, in a somewhat exposed and unprotected situation, unless the bank places upon it just as soon as it comes into its possession—just as soon as it has purchased it by discounting it—some mark of its proprietorship, which cannot easily be removed. Otherwise, what is to prevent an unfaithful officer from taking it from its covers, or files, while it still has time to run, and marketing it through unsuspecting note brokers, etc.?

Examinations of the notes discounted by Directors are rare, and such abstractions might remain undiscovered for months. I have known of such abstractions, and I have known them to remain undetected for a long time.

I have this suggestion to make in the premises: Let every piece of paper be stamped, as soon as taken on by the bank, with a stamp placed over the endorsement of the paper, in this business-like manner: "Pay to the order of the ——— National Bank."

If paper is foreign paper to be sent away in due time for collection, this stamping comes in all right; for it has only to be completed, by the addition of an endorsement of the ——— National Bank to pay to the order of its foreign collection agent, to put it in a negotiable condition—in a shape to be sent along to its point of payment, for collection and credit, or remittance.

If it is home paper that is to be collected over the counter of the bank—all that remains to be done when it has been paid is to receipt

it—to put a Teller's stamp upon it signifying that it has been paid to the ——— National Bank.

Another way of placing the bank's mark of proprietorship upon the discounted paper is by embossing upon it a stamp of ownership after this style: "The property of the ——— National Bank." The only objection to these suggested plans is this: Banks may, for occult reasons, wish to take paper from their discount files and sell it through outside parties in open market. If offered in market through paper brokers, etc., with any evidence upon it of its previous ownership by ——— National Bank, it might appear as if the bank had become alarmed about its standing, and, for that purpose, was trying to shove it off. But the advantages of the plan overtop the objection.

CASTING INTEREST.

Banks live upon interest. To calculate it rapidly and correctly is an accomplishment that the bank officer must at once acquire if he has to do with the discounting or collection departments; and it is also a qualification quite likely to be brought into requisition in any department of banking.

There is no class of bank service in which practice tells more effectively than in interest-casting.

Nothing but practice can make an expert and correct Interest Clerk; and there seems to be scarcely a limit to the skill which constant practice in this line may bestow.

There are a vast number of rules in vogue for casting interest. The bank officer can select from these, in the various manuals upon the subject, according to his tastes. But, in time, if he works largely upon interest, he will get beyond most rules, and work mainly by precedents, and by what may be termed inspection, acquiring finally such expertness that he will, to the inexperienced, seem to have well-nigh the power to see, at a glance, what discount is to come out of the note which is before him.

I give a few specimens of interest rules—here is one which is a favorite with many Discount Clerks, but which, like all such rules, would only be used when no shorter methods of getting at the right results presented themselves.

This rule is to first get the interest at 6 per cent., by *multiplying the principal by half the number of the months and one-sixth the days*, and then reach other rates by additions and deductions as I explain.

Thus, given the question of the interest on $10,000 for 4 months and 6 days, we make the following figures:

One-half of the months is two, or, in other words, two per cent., and one-sixth of the days is one, or one-tenth of one per cent. This gives .021 as a multiplier. With $10,000 as the multiplicand, the product will be 210,000, or $210, which is the correct interest on the sum given, for the time named, at 6 per cent.

Now, if you are after the interest at some other rate than 6 per cent.,

aliquot parts of the six-per-cent. result may be added or subtracted as follows:

For 10 per cent. add.....⅚	For 5 per cent subtract.....1-6
For 9 per cent. add.....½	For 4½ per cent. subtract.....¼
For 8 per cent. add.....⅓	For 4 per cent. subtract.....⅓
For 7½ per cent. add.....¼	For 3 per cent. subtract.....½
For 7 per cent. add.....1-6	For 2 per cent. subtract.....⅔

Most of the usual modes of casting interest, like the preceding rule, are founded upon the idea that the year is cut into twelve months of thirty days each. Though this is not exactly correct the results obtained are sufficiently exact for most practical purposes. Again, we see that at six per cent. per annum the interest on $1 for one year is six cents; for two months, or sixty days (one-sixth of a year), it is one cent, or one-hundredth of one dollar; for six days (one-tenth of sixty days) it is one mill, or one-thousandth of one dollar. Hence to find the interest for two months point off the two right hand figures of the dollars as decimals, thus:

The interest on $2,530 for two months is.....	$25 30
The interest on $2,530 for six days is.....	$2 53
And the interest on $2,530 for two months and six days is.....	$27 83

I have alluded to the short process of interest-casting adopted by expert Interest Clerks. Here are a few explanations of these methods, by the use of which such clerks reach interest products with the use of very few figures and little time. They operate from, and by, any number of interest precedents which long thought and practice in the business of casting interest have firmly established in their minds. Given any sum and any time, they select from these lines of precedents the fitting ones, and, by their aid, leap quickly to the desired interest results.

I have now in mind such points of departure for interest calculations as those mentioned in my last illustration.

I list here a number which are all based upon the standard principle that in two hundred months simple interest at 6 per cent. will equal the principal. Now, dividing the two hundred months into aliquot parts, we see that the interest—

For 2 months, or 60 days, is 1 per cent. of the principal.	For 12 days it is 2-10 of 1 per cent.
For 3 months it is 1½ per cent.	For 15 days it is ¼ of 1 per cent.
For 4 months it is 2 per cent.	For 18 days it is 3-10 of 1 per cent.
For 1 month it is ½ per cent.	For 20 days it is 1-3 of 1 per cent.
For 6 days it is 1-10 of 1 per cent.	For 24 days it is 4-10 of 1 per cent.

These are only a few simple illustrations on this point. The experienced Discount Clerk has his head full of interest data of the character I have named; and, when an inexperienced person sees him figure interest, almost without the use of figures, he may understand that his method is not based upon rules found in arithmetics, but upon long practice in getting at interest by all sorts of mental calculations.

And, if this interest expert is asked to tell another person how to

cast interest quickly—how to do it as he himself does it—he can only say that he cannot teach him directly how to do it, but can tell him how he, in time, may teach himself how to do it—may study and practice himself into it.

The precedents, or data, which I have just listed are all based on a 6 per cent. rate of interest, and results reached by them require, of course, to be varied for other rates, as shown in my first example. I have known clerks who were not only thoroughly at home in these 6 per cent. periods, but had in constant use similar data for such rates as 4 and 4½ per cent.

Thus, for 4 per cent. they started with the fact that *three* months' interest was 1 per cent. of the principal, and *nine* days' was one-tenth of 1 per cent., and used multiples and fractions of *these* periods just as we did above of two months, and six days. For 4½ per cent. the periods would be 80 days, and 8 days; and I add an illustration of this manner of figuring 4 per cent. interest:

To find the interest upon any given sum for any number of days at 4 per cent., point off three places as the interest for 9 days, and proceed with 9 as the factor in the same way as you do with 6 in 6 per cent. interest.

The interest upon any given sum for 6 days at 6 per cent. is the same as 9 days' interest upon that sum at 4 per cent.

The interest for 6 days upon $6,000 at 6 per cent. is $6.00.

The interest for 9 days upon $6,000 at 4 per cent. is $6.00.

EXAMPLES.

Find the interest upon $1,000 for 36 days at 4 per cent.

THE OLD WAY.

Point off three places	$1,000.00	interest for 6 days at 6 per cent.
Multiply by 6; as 6 in 36 goes 6 times and result is	$6.00	interest for 36 days at 6 per cent.
Take off one-third	$2.00	to make interest 4 per cent.
And we have	$4.00	interest at 4 per cent.

THE NEW WAY.

Point off three places	$1,000.00	interest for 9 days at 4 per cent.
Multiply by 4; because 36 days is 4 times 9 days, and we have	$4.00	interest for 36 days at 4 per cent.

Find the interest upon $3,000 for 39 days at 4 per cent.

THE OLD WAY.

Point off two places and divide by 2 as the interest for 30 days, or.....$15.00
Point off three places, as 6 days' interest, or..... 3.00
Divide this $3 by 2, as 3 days interest, or..... 1.50

And we have as a result 39 days' interest at 6 per cent., or.....$19.50
Now take off one-third to make interest 4 per cent., or..... 6.50

And we have the interest at 4 per cent., or.....$13.00

THE NEW WAY.

Point off 3 places as interest for 9 days at 4 per cent. and we have $3.00. Now 9 into 39 will go 4 times, and 3 remaining. 4 times $3.00 is $12.00, the interest for 36 days. The interest for 9 days is $3.00, and for 3 days it will be one-third as much, or $1.00. This added to the $12.00 makes the interest $13.00, same as above.

FORM OF OPERATION

$3.00 × 4 = $12.00
One-third of $3.00 = 1.00

Which makes $13.00 interest at 4 per cent.

INTEREST TABLES.

These have their place in practical banking, but they do not fill a very large vacancy. Discount Clerks make but infrequent use of them and very many people never think of referring to their pages. Experts in casting interest and men who, like Discount Clerks, are at all times up to their eyes in calculating interest have not the patience to turn to interest tables for aid or even confirmation in the work of making interest calculations. Their short-hand processes of casting interest are the fruits of constant practice and quicker and better than any table processes. The experience of most practical bankers tallies with each other. A discount officer may be for years in a large bank, where scores of small business notes are almost daily ground through the loaning mill, and have standard interest tables of the period lying around, yet not make any use of them except for occasional reference where there are stubborn cases of variance in figures between himself and the dealer. For a use of this kind these tables may once in a while be in request and for this reason every bank should have them in its library. It would be out of place to attempt to decide which is to-day the best book of interest tables in the market. The advertisements in the bankers' periodicals present the claims of various interest manuals, and there are many good ones. Bank officers who wish to use such a book can easily tell by examination which suits them the best. They are all alike in their leading feature of bringing together within their two covers what may be described as a vast number of interest solutions—answers to interest conundrums, based on wide ranges of time and rates. But there are different ways of arranging these books of tables, and upon the merits of their arrangement their value hinges. The interest results have of course to be brought within limits to be determined by the question of convenience in hunting up the needed replies, and a table which attempts to give too many rates and dates must be very skillfully arranged not to defeat the end aimed at by making the task too hard and long of hunting up and applying its solutions.

CALCULATING TIME.

In the work of calculating time on business paper—on notes and acceptances—bank clerks apply the methods common with them in casting interest.

That is they do not work so much by rules as they do by short-hand mental processes. And the expertness they acquire in this sort of business can only be reached by long practice.

Place before me a pile of a hundred notes and acceptances, drawn upon months, and I can easily calculate the time of their maturity as rapidly as they can be placed before my eyes—that is, I can tell when they are due at a glance.

If drawn on days, it will, of course, take me longer to make out when they are due. There is nothing wonderful about this. The

ability to do this sort of work so rapidly comes from the long practice I have had at it.

But I can easily give a learner a hint or two relative to this business of acquiring expertness in calculating time. If he is a Discount or Collection Clerk, let him go to work in this way. Number the 12 months of the year by arranging them in a tabulated form in this style: (See Form 28.)

1	2	3	4	5	6	7	8	9	10	11	12
JAN.	FEB.	MAR.	APR.	MAY.	JUNE.	JULY.	AUG.	SEPT.	OCT.	NOV.	DEC.
13	14	15	16	17	18	19	20	21	22	23	24

Form 28.

Then let him get this table by heart—firmly fix it in his mind so that it will be constantly available to him. Having done this, getting at the time of maturity on paper that is drawn on months is as easy as adding nine and six.

Thus, for instance, I hold before him a note, dated September 6th, payable in 6 months. September to him, by our table, is the 9th month; 9 and 6 make 15. March is the 15th month. The note is due March 6th–9th.

The note is dated January 4th, payable in 8 months. January is the 1st month; 1 and 8 are 9. September is the 9th month. The note is due September 4–7.

The note is dated July 5, and payable in 8 months. July is the 7th month; 7 and 8 are 15. March is the 15th month. The note is due March 5–8.

I originated the idea of committing to memory this numbering of the months, from 1 to 24, many years ago, at a time when I was called upon to file away an immense number of notes in a day. I have never had occasion till now to reproduce the table on paper—it then, by practice, became so fixed in my mind. At that time I handed, on some days, a thousand promises to pay to the Note Teller to collect. The skill to cast time correctly on this plan, when once thoroughly acquired, seems to remain long after practice upon it has ceased.

DISCOUNT TIME.

A note written payable a certain number of days from date must have its maturity ascertained by taking just that number of days and the three days of grace, without any regard to the month. Thus, a note of 90 days from November 10th matures in 93 days—on February 8th–11th.

The *discount* time is a question of custom. The New York custom is to reckon the days to maturity on everything. In most, if not all, of the Boston banks the actual days are reckoned when the note is

written in days, and months and days are reckoned when the note is written in months.

DEPOSITORS' RATES.

The banking business as far as loaning money is concerned is in a muddle in some localities from causes which will be recognized and fully understood by most experienced bankers. The business of paying interest upon deposits has so woven itself into the banking system that its influence must now be taken into full account in any discussion of banking. Banks are so generally in the habit of paying interest upon all deposit accounts which are of respectable size that depositors of this class who do not have an interest contract expect compensation for their accounts of another sort, but well up to the proportions of that received by the accounts upon which interest is paid. This compensation is discount accommodation on what may be called nominal terms—loans of money whenever they are in want on rates based not on the market rates but on their claims as depositors. This matter has become so difficult of adjustment and so demoralizing in its influence upon rates for loans that many bankers have at times been inclined to favor the adoption of a plan which would do away entirely with all discount obligations to depositors by paying a small rate of interest upon all important deposits and loaning their money in open market at the best rates possible, thus doing business very much on the London joint-stock bank and American trust company principles.

FORWARDED PAPERS.

At least once in six months, in every National bank, there is a full examination of the bank—of all its departments, assets, etc. When the Directors are making this examination, they find, on reaching the Discount Department, that much of the discount paper belonging thereto has been scattered far and wide, in places where it is payable, and where it has been sent for collection on account of its nearing maturity, and that all they have before them is a record of the paper in the shape of covers, etc.

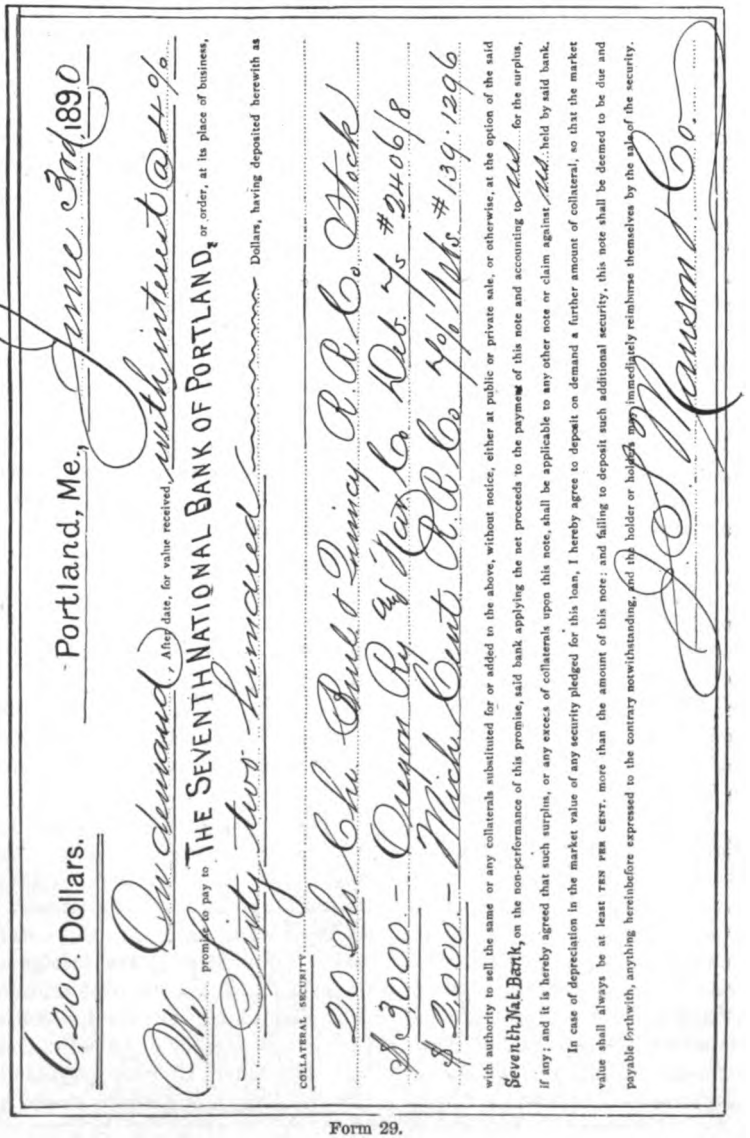
It is a most excellent and well-nigh indispensable plan for the discount officer to anticipate and prepare for this state of things—this absence of his vouchers—by securing, when he sends away foreign paper that is to be absent at an examination period, acknowledgments from the banks, etc., to which it has been sent, stating, in full detail, just what paper they have received. These descriptive letters of acknowledgment are of great convenience and satisfaction to examiners. I have never considered it a very good plan to forward foreign collections much in advance of their maturity—not farther in advance than is needful in order to get them to the points where they are payable in ample season to secure their due notification, and also to secure an acknowledgment of their non-receipt, in case of accidents, in season to send duplicates to take the place of the lost or miscarried paper.

Perhaps as good a rule as any is to send forward for collection, in

the middle of one month, all the paper maturing abroad in all the next month.

DEMAND COLLATERAL NOTES.

The following (see form 29) is a good form for a note of this class:


6,200. Dollars.
Portland, Me., June 3rd 1890
On demand (After) date, for value received, with interest @ 4½ %
We promise to pay to THE SEVENTH NATIONAL BANK OF PORTLAND, or order, at its place of business,
Sixty two hundred Dollars, having deposited herewith as
COLLATERAL SECURITY
20 shs Chu. Bull & Quincy R.R. Co. Stock
$3000 - Oregon Ry & Nav Co. Obs. 4s #2406/8
$2000 - Mich. Cent. R.R. Co. 4% Mtgs #139-1296
with authority to sell the same or any collaterals substituted for or added to the above, without notice, either at public or private sale, or otherwise, at the option of the said Seventh Nat. Bank, on the non-performance of this promise, said bank applying the net proceeds to the payment of this note and accounting to We for the surplus, if any; and it is hereby agreed that such surplus, or any excess of collaterals upon this note, shall be applicable to any other note or claim against We held by said bank.
In case of depreciation in the market value of any security pledged for this loan, I hereby agree to deposit on demand a further amount of collateral, so that the market value shall always be at least TEN PER CENT. more than the amount of this note; and failing to deposit such additional security, this note shall be deemed to be due and payable forthwith, anything hereinbefore expressed to the contrary notwithstanding, and the holder or holders may immediately reimburse themselves by the sale of the security.
J. O. Mason & Co.

Form 29.

It is a copy from one in actual use in one of our largest banks, and was framed with the greatest care. Notwithstanding all the strength

of expression which has been framed into this note, and into the general run of notes of this style, regarding the concession of authority to the payee—the bank, to sell without notice either at public or private sale, or otherwise, all the collateral pledged—it is still a question whether a bank can, under existing statutes and common law, proceed thus summarily and unceremoniously if the pledgor protests against such peremptory sale.

From very high authority, however, I have obtained the following concisely expressed opinion :

"In regard to sale of collateral security, 'without notice, either at public or private sale,' as per agreement signed when depositing it.

"It is competent for the parties to agree BY EXPRESS TERMS that, upon the pledgor's default or upon his refusal to keep the security good, the pledgee may sell at public or private sale, at his option, without giving notice to the pledgor of his intention, or of the time or place of sale.

Milliken vs. Dehon, 27 N. Y., 364 (cotton).
Chouteau vs. Allen. 70 Mo., 290 (bonds).
Loomis vs. Stave, 72 Ill., 623 (bonds).
Md. Fire Ins. Co. vs. Dalrymple, 25 Md., 242 (B. & O. bonds).
Genet vs. Howland, 45 Barb., 560 (Pac. Mail stock).
Hamilton vs. State Bank, 22 Iowa, 306 (U. S. bonds).
Fitzgerald vs. Blocher, 32 Ark., 742 (Ark. Treasury certif)."

RATES FOR LOANS.

There are some general principles governing the theory and practice of bank loaning and discounting which it may be profitable to mention. In loaning money on demand, when it is strictly understood between bank and borrower that the money so advanced is positively and purely minute money—to be called in promptly whenever the bank needs it and to be paid promptly when called—banks are accustomed in ordinary times to charge low rates of interest, and are certainly justified in so doing. There are, of course, exceptions to this practice. Banks sometimes loan more or less of their funds on nominal call to dealers and others who have some real or imaginary claims upon them for accommodation of this description. This nominal demand money is taken by the borrower with the mutual understanding that it shall be repaid, not when the bank may need it and be inclined to call for it, but when the borrower no longer needs it and finds it convenient to pay it back, no matter what may be the wants or wishes of the bank in regard to it. These loans are a great convenience and accommodation to the borrower and an inconvenience to the lender. The fewer loans of this type a bank has outstanding the better for the institution. But somehow or other most banks finds themselves obliged to carry along more or less of this unavailable minute money—the minute characteristic being apparent only in the fact that the borrower can pay it any minute he pleases and will not pay it one minute sooner than is convenient for him so to do. Any experienced banker will concede that "demand" loans of this character should pay the highest rates of any loans made by the banks, and all bank Managers will, when they can, charge more on them than on any class of time-paper.

Again, in periods of great stringency—of panic—borrowers who have full faith that the close times will be of short duration are often glad to pay very high rates for call money rather than indulge in the luxury of a discount at the current high rates, because in this way they hope to tide over the days that may elapse before rates on time-paper sink to a normal basis. During such periods sagacious bank Managers are willing to strain a point—to run up their loan a little higher than they othewise would—in order to take on long paper at the current high rates—that is, they aim to keep out as little call money as safety will allow, no matter how high it may bid, and discount all the long paper prudence will approve.

BUYING PAPER.

Banks *discount* paper for their depositors—and simply term the operation discounting. But, when they go outside of their line of depositors, in making investments in time paper, they generally term the procedure *buying* paper. Their dealings in this paper-buying business are generally with a class of traders termed note brokers, or with private bankers and brokers.

There is a deal of talent and capital in this business of buying and selling paper; and, in our large cities, it is conducted with a skill and to an extent that would not have been dreamed of thirty or forty years ago, when note brokers were few in numbers and small in their volume of business.

Here I cluster a few points of value and interest, which relate to note buying by the banks, and note selling by the dealers.

The heavy firms in the large cities, whose profession is that of dealing in time paper, generally own a large proportion of the paper they are currently offering for sale to the banks and private capitalists, having bought it outright of promisors, endorsers, etc., who have adopted such sale-methods as a means of raising money.

But these large negotiators are also generally in the habit of doing quite a share of the commission paper business.

These extensive dealers seldom endorse any of the paper which they negotiate. If they fell into the business of freely adding their names to the vast mass of notes and acceptances which pass through their hands, their credit would soon suffer from that criticism which is meted out to parties who have the reputation of being very much extended.

The exception to this rule of non-endorsing sometimes crops out in cases where they pass a line of paper into the loan of the banks where they keep their own special accounts—banks which expect to give them a certain amount of accommodation on account of the presence of their handsome balances, and which are not apt to extend a discount accommodation of that nature without receiving the endorsements of their dealers on the paper.

Notes bought by banks of note dealers without their endorsement are held to be guaranteed by them to be all right, in all points, except

that which covers the question of whether they will be paid or not. The dealers give no guarantee of this, for they have not endorsed, and the bank uses its best judgment and discretion and takes this risk itself.

DEMAND LOANS.

National banks, particularly those having large capitals, and located in Clearing-House cities, find it a very convenient thing to put out quite a percentage of their loans in the shape of money on strict call—minute money. In some cities, notably in Boston, banks have a habit of borrowing of each other at Clearing-House settlements large amounts of call money.

This business of the banks of borrowing demand money of each other, entirely without security, has many objectionable features, some of which I have alluded to elsewhere.

In settlement of these Clearing-House loans between banks, the interest is generally made up and charged when the loans are fully paid, for loans of this sort do not often stand a very long time.

But where loans of this class stand for a considerable time, the interest upon them should be settled as often, at least, as once a month.

The interest upon the regular individual call loan file should certainly all be made up and collected once in three months.

All endorsed demand notes held by a bank should start with a waiver of demand and notice by the endorser, since, in time (in some States in 60 days) endorsers are lost—unless a demand for payment is made upon promisors—if this precaution has not been attended to.

THE BROKER'S RESPONSIBILITIES.

There have been so many lucid and unmistakable legal decisions upon this point that we may consider it well and thoroughly covered.

If the note dealer, in selling notes to banks, makes what he believes to be fair and honest representations regarding the standing of this, by him unindorsed paper, which he is marketing simply as a commission man—an agent—and makes representations and statements of such a straightforward type that upon them no charge of false pretenses can be made to rest, he assumes simply and only this responsibility—he guarantees that it is what it appears to be—a real promise to pay—genuine in every point in date, amount, signature, etc., and that, in selling it, he conveys a good title to the paper. But bad is the luck of the honest sellers to honest buyers of notes and acceptances which have in and about them any fraud, for the sellers under such circumstances must make good all losses that may thereby come to last holders.

There is, however, one point relative to these transactions, and just without the question of legal liability, which should not be overlooked. Although, as I have said, the dealers seldom endorse any of the cloud of notes and acceptances which they buy and sell, or negotiate for owners or makers, they make these operations with a sense of responsibility which, intangible as it often is, is nevertheless recognized among them

—especially among those whose standing and business are of the first class—as binding with something of the force of their guarantee. This responsibility is that which makes them exceedingly anxious that the paper they sell shall be paid, and that it shall prove to be, in all points, precisely as they have represented it to be.

A reputation for selling only that which is good paper is what all reputable note dealers are striving to obtain for themselves.

They may pass into the loans of banks and the portfolios of private investors poor paper in which they have had confidence, and which they have, in good faith, represented to be strong; but they are exceedingly anxious not to do this sort of business.

There is extant among some note-brokers so much of what we may term an honorable pride of trade, a pride in handling only first-class paper, that no temptation, in the way of rates or commissions, will induce them knowingly to have anything to do with any other sort.

TAKE A BILL OF SALE.

It is an excellent plan for a bank, in buying paper of dealers and others who do not endorse the paper they negotiate, to take a bill of sale of the same, and it should be carefully preserved and filed away like other papers of importance.

While the note-broker who sells paper to a bank does not, as I have said, guarantee that the paper shall be paid at maturity, he does, by handling it, guarantee that it is just what it purports to be, an honest and legitimate promise to pay; and right here is where the value of the bill of sale comes in. It is a record, in black and white, which always shows at once to the purchaser where the paper he holds has come from.

The seller of paper is, of course, held as fully in the points we have described without the passing of a bill of sale.

But it might, under some circumstances, be difficult to recall and prove the seller's connection with the paper if there was no bill of sale accompanying its conveyance.

BUSINESS AND ACCOMMODATION PAPER.

These are terms often heard in banks.

Notes and acceptances that are made in settlement of genuine business transactions—given in payment for property purchased—come under the head of regular and legitimate business paper. Paper of this sort was far more abundant in the loans of our banks thirty or forty years ago than it is at present—or, at any rate, the *proportion* of paper of this sort then discounted by them was far in excess of what it is to-day, and for the simple reason that nowadays such notes are made for only a small proportion of the volume of the business transacted.

I remember well when it was the custom among the dry goods commission houses to sell domestics to shipping houses, for exportation

to India, China, Africa, etc., on credit of from twelve to fourteen months; and I have handled much paper of this sort.

Another class of old time business paper, whose face was at one time very familiar to me, also is no longer to be met with. I refer to paper given on long dates for all sorts of merchandise—a list ranging from Waterbury brass trinkets to rum, bought of the manufacturers for shipment by slow-moving sailing ships to the west coast of Africa, and other remote and uncivilized portions of the world.

All the methods of these branches of commerce have been changed since the introduction of steam, ocean cables, etc.; and one sees in these days little of this old-fashioned paper in the loans of banks, or anywhere else.

But the most marked falling off in the bank loan supply of this desirable, old-time class, of legitimate business paper has been brought about by other changes in the mode of transacting business.

Thirty or forty years ago, commercial travelers—drummers—were hardly known. The country merchants made periodical visits to the cities—to the great trade centres—and made their own selections and purchases of goods. Each interior trader generally had one house in each line of his trade, on which he was dependent for his supply of merchandise, and from that house he made about all his purchases. The result was his transactions were often of quite an extensive character with his city dealer, and with this dealer he had credit, and gave him, in settlement of purchases, promises to pay, drawn upon varying times, arranging maturities in a manner agreed upon by buyer and seller.

The discount applications at the banks were, in those days, made up, to quite an extent, of business paper of this particular class. I have handled a good deal of it in acting as an officer of a bank which had among its dealers many grocers and jobbers.

Nowadays the country is scoured by commercial travelers, who cut the trade, which once was conducted in the manner I have described, into very small lots, and do the business on a cash, or cash in 30 days or so, basis—a basis which rests almost entirely upon open book accounts, and makes no negotiable business paper.

Previous to the period of which I have been writing, a deal of bartering was in vogue—particularly in the wholesale grocery trade.

Produce commission merchants who, in person or by agents, now cover the country, soliciting consignments, and making advances and purchases, were then hardly known.

The country traders took, in trade, all sorts of country produce; and their city grocers received the same from them in exchange for West India goods and groceries, and the balances were settled by making time-notes.

I note here, as an interesting fact, that, since 1850, the great refiners and dealers in sugar, who scatter, in comparatively moderate sized lots,

their immense products of refined sugar, syrups, etc., have not been in the habit of receiving from the wholesale grocers, etc., who buy this sugar, any notes whatever. The sugars are all sold for cash in 30 days, on book account, and the syrups for cash in 60 days, also on book account.

In the days when long lists of small business notes were constantly passing into bank loans, the work of Discount Clerks was, in many points, more arduous than at present.

ACCOMMODATION PAPER.

Promises to pay, which are thus named, are of a character which is precisely indicated by their title. In general terms, an accommodation note, or acceptance, is one which is signed, endorsed, or accepted by an accommodating party for the accommodation of some other person, who is also a party to the note, either in the way of signer, endorser, or acceptor. But, in whatever way the accommodator may, by name, appear on the paper, it is not understood or expected that he will have to attend to its payment or renewal at maturity, while the accommodated is, at the time of the execution of the paper, given distinctly to understand that he must attend to its settlement, whether his name may appear first or last upon it.

The name of the paper in question has a bad flavor among banks, bankers and other note buyers.

As a class, accommodation paper has a hard reputation—and deservedly so. It is not what it pretends to be. It is not issued and based upon mercantile transactions. There is no "value received" in and about it—no merchandise—no material value beneath it. It has a pretence of being paper of more than one name, when it really has a most decided single-name aspect.

For these reasons its presence in the loans of banks is watched with jealous eye by bank examiners, and its close acquaintance generally shunned by our shrewdest note-buyers.

Any man who lends his name to a piece of paper is, of course, held for its payment, no matter what may be his intentions at the outset, or his private understandings with the accommodated party for whom the paper has been made.

It follows that there are all grades and shades of accommodation paper, and there is plenty of this kind of paper afloat with names upon it so strong that no one can question its solidity, though it represents no actual business transaction between the parties to it, and rests upon no other foundation than that of mutual agreement to pay without any apparent value received.

In the loans of the National banks of the period, in city as well as in country, there is, at the present time, a vast quantity of paper that is really nothing but the accommodation paper of factories, commission merchants and other makers, but which is about as good as gold.

The objectionable—dangerous—class of accommodation paper is of

a type which we need not further describe, and careful bank managers will not buy it if they know it.

"MANUFACTURING" BUSINESS PAPER.

He was a heavy manufacturer and shipper of lumber in a city in Maine, sending his product wherever there was a harbor in Massachusetts, Rhode Island, etc. He was a bank Director in the city where he carried on his business, and his habit was to draw through this bank for his lumber shipments, at three and four months' time, on his consignees here and there, and have the paper for the most part at once discounted at this bank. The paper was always made payable at the Boston bank where the Maine bank did its business, and this Boston bank received all the paper, procured its acceptance, and held it for collection. So the business went on year after year, large in volume and promptly transacted. By and by the lumber dealer lost his money, and very nearly ran out as far as his original and legitimate business was concerned. But the Maine bank seemed to be rather oblivious of these facts, for it kept on allowing him a heavy line of accommodation on discounts of what appeared to be legitimate lumber acceptances—drafts whose acceptance appeared to have been obtained by himself and bearing accepting names which sounded quite familiar to banking men who had long been dealing in lumber paper. The paper was, as usual, all made payable at the corresponding bank in Boston. This paper was fraudulent in all points. It was made up entirely, acceptances and all, by the party for whom it was discounted. The drawees—the acceptors—had no existence, yet their names as they appeared on the paper so nearly resembled the names of existing, strong, old-time consignees of the drawer that the bank had no suspicion of the deception which was being practised upon it. In making up this fraudulent paper the drawer had hedged against any charge of forgery by carefully avoiding the use, as his imaginary acceptors, of the names of any existing houses. He carried along this swindling, kiting business for a long period by paying all the paper, generally a little while before its maturity, through the bank where it was made payable in Boston. And the discovery of his irregularity was not made until he had become so deeply involved that he could no longer float even on paper so easily made and so readily negotiated, and when he could no longer meet this paper he ran away.

PAPER WITH MANY NAMES.

The comparative value of single-named paper and paper bearing two or more names—the class generally known as double-name paper—is now being quite widely discussed by bankers. In some quarters it is urged that banks and trust companies should not make a practice of introducing into their loans paper of the single-name class, while from other directions we hear arguments against any statutes or by-laws limiting the loans of banks to notes and acceptances bearing at least

two names. The charters of our trust companies, which emanate from the State, are quite rigid in this matter of requiring many names on all paper discounted by them. Individual paper entering into these trust company loans, according to the State laws governing most trust companies, must bear at least three names. Savings banks are generally bound by this same restriction. There is nothing in the National Bank Act of this restrictive character, but very many of the National banks make it a rule never to loan on single-name paper.

There are some absurd, as well as demoralizing features connected with this matter of restriction in regard to the number of names required on paper entering into the loans of our National banks, savings banks and trust companies. These institutions are, at times, glad enough to buy at paying rates strong paper bearing one good name in which they have full faith, and one or two other names, as the case may demand, of what may be termed a straw-like, or made-to-order, character. This business of affixing to good single-name paper names of straw to meet the double-name demands I have described often takes on quite a ludicrous aspect. Very young men in counting-rooms, junior clerks and the men who "take down the shutters," are found endorsing millions of dollars' worth of paper which is passing into loans of banks and trust companies through the hands of brokers and others simply for the reason that the law demands the two or more names. Attempts have been made by Savings Bank Commissioners and United States Bank Examiners to institute reforms in this business, and to put a stop to the use of valueless and practically fictitious names in making acceptable paper for bankers' loans, but they have not been successful.

I have here given a description of a bad drift in paper and it is easier to give a diagnosis of this case than to point out any positive remedy. But suggestions of a corrective and a remedial character readily come to mind. Paper bearing these made-to-order endorsements is often easily recognizable by Bank Examiners, Commissioners, or experienced bankers. When it crops out in loans of banks and trust companies to an objectionable extent the Examiners should make a note of it and send reports of the bank's habits in this regard to the proper quarters. They should also take occasion to suggest to the managers of the banks which are thus being loaded with objectionable paper that good banking demands a reform.

Any educated banker will hesitate to recommend that all restrictive provisions in laws and by-laws in this matter of single and double paper shall be removed. Yet, as things are now drifting, it would seem as if their existence was taking on a farcical character. The character of our bank loans will always be governed by the character of the men who manage our banks. If injudicious and unreliable men are in charge of the bank loans no rules regarding the number of names which shall be on the paper they take will be of much account.

In the best managed banks, which may be moving along under

double-name rules, there will come occasions when it will be perfectly justifiable to take on paper bearing one solid name and another about which no questions need be made; yet such precedents should be followed with extreme care. Such action should be the exception and not a common practice.

LONG AND SHORT PAPER.

I have elsewhere remarked that when rates are high, with a prospect of declining at an early date, sagacious bank managers are inclined to select from the paper offered them for discount those promises to pay which are of long dates. This general rule is reversed when the situation is reversed. When discount-seeking paper bids low interest, and bank managers believe that early improvement in time rates is in prospect, they prefer to put out their money on call, or on the shortest time, so that they shall soon again have it in hand to sell at the higher prices which they are confidently looking for.

There are also other courses of reasoning that influence the action of banks in their selection of dates for their loans. They must aim to scatter and locate their maturities, and place them, so that as the seasons roll around, the bank will be in a position to meet the reasonable demands of its customers, and avail itself of the advantages which must come from being in funds at those seasons when special influences are sure to create large and profitable public demands for money.

The experienced banker knows, for instance, that at certain periods he may, if well intrenched, reap a harvest out of the calls for loans which are sure to come from the movers of various crops. At one period the cotton buyers will be using vast sums of money, at another the wool men, at another the corn or the wheat or the hog handlers will be clamoring for loans. And so I might go on.

He is a sagacious and successful banker who, from observation and large experience, is able to discern the signs of the times in the transactions I have described, and shows the most skill in navigating his loans with a view to making the most of the influences and the elements.

CROP AND TRADE INFLUENCES.

Here are illustrations of the way crop and trade influences work upon the loan market and control the action of banks in the matter of regulating the rates and dates of the paper they pass into their dis count files.

In the centres of the cotton manufacturing interests of the North—or rather in the financial centres of this industry—the banks may, in ordinary times and under ordinary circumstances, count upon a large demand for discount accommodations from the representatives of the cotton mills between the middle of October and the middle of January. In this period the bulk of the cotton crop is thrown upon the market; and in this season of the incoming of the great cotton tide the bulk of the purchases to supply the mills of the North are made. It is a time-

honored saying among cotton consumers that a purchase before the holidays is always a good purchase. In carefully managed banks in cotton consuming districts resources are often husbanded to meet the wants of good customers who will press upon them in cotton buying months. As for the cotton growers themselves, it is a generally received idea that they are always in want of money and always receiving advances upon the coming crop.

Among the wool men—those who operate and deal in wool—there is, generally speaking, an active demand for money in the months of the wool clip—months which range with the latitude from April to June. Wool consumers buy at all seasons, since there are few reasons, other than the state of the markets and the state of their finances, to lead them to buy at one season more than another.

The wheat crop and the corn crop, viewed either from the standpoint of the producer or the dealer, are Autumn consumers of money. The same may be said of crops in general, with the exception of the examples we have already given.

In some States there is an immense amount of money in tan pits. No reflection is intended upon one of the most solid and enterprising interests existing among us when I quote the quaint financial remark of a man of wide financial experience who was asked: "At what time in the year do the tanners generally borrow?" His answer was: "Every day in the year."

It should here be noted that mid-summer and mid-winter are in the North apt to be periods of comparative stagnation in the money market.

A SAFEGUARD.

Before I leave this matter of paper let me mention a plan of action that perhaps might with advantage be adopted by the banks—or, at least, by those banks which are located, as it were, in families in the cities and large towns.

Let the banks in any given place unite in making some arrangement whereby they shall be enabled to know at any time the amounts of paper of any name, about which they may wish to be thus informed, which is being held in the loans of each and all of these banks. Let the banks, for their mutual protection, "show their hand" in the matter in question.

There have been no end of instances where bank losses from bad paper might have been averted had the banks possessed the means of knowledge which I am here recommending.

There have been, within recent dates, large and most disastrous failures, which have revealed to banking circles for the first time the existence of an extent of liabilities on the part of the bankrupts of a magnitude utterly beyond what the banks, who had been steadily loaning them up to the very day of their collapse, had ever dreamed of. And had they, by the use of the method I have suggested, been earlier informed of the way the failed houses were hedging and kiting

under immense issues of their names to the loans of the various banks, they might have saved themselves from heavy losses and, at the same time, helped other suffering creditors.

The great difficulty that stands in the way of doing something of the kind is that evident lack of *esprit de corps*—community of spirit—which is apt to characterize a community of banks. There are no reasons why this state of things should exist.

Banks ought to be willing to work together for their mutual advantage in such premises as those I have named.

DISCOUNTING WHEN A BANK'S RESERVE IS NOT UP.

I elsewhere clearly explain the reserve requirements of the National Bank Act. As I have there stated a certain portion of the reserve may be kept on deposit with a bank in one of the large cities, while at least another certain proportion must be in lawful money in the hands of the bank itself.

It will be observed that the balance with the reserve agent—let us say in New York—no matter how large it may be. can only count as reserve to a certain specified extent on the whole amount of reserve required by the law.

It will also be observed that only lawful money can be counted as the home reserve. A bank may be carrying along a large quantity of National bank bills and a balance in New York largely in excess of the per centage which the law permits as a reserve there and still, by reason of its small holding of legal-tenders, not be up in its reserve in accordance with the demands of the law. In such a situation there are banks which will go on discounting and making loans in the face of the law which says loans must not be made when the reserve is not up, by paying out for such loans either National bank bills or New York funds, claiming they have a right to do so on the ground that they are not encroaching on their reserves. This course is not a proper one. The Bank Act says distinctly that loans shall not be made when the reserve is under, and the bank has then no right to use any of its assets in making loans, no matter what the character of those assets happen to be.

THE TEN PER CENT. LIMITATION.

The ten per cent. limitation of the Bank Act has an application which is sometimes overlooked by bank managers. National banks are prohibited from loaning over ten per cent. of their capital to any one individual or *corporation*, except upon paper representing actually existing merchandise. This ten per cent. provision, therefore, must apply to loans made by any National bank to any other bank, National, State, or private.

NATIONAL BANKS AND LOANS ON REAL ESTATE.

A National bank can take a mortgage upon real estate as security for debts due, or enter into full possession of the same class of property

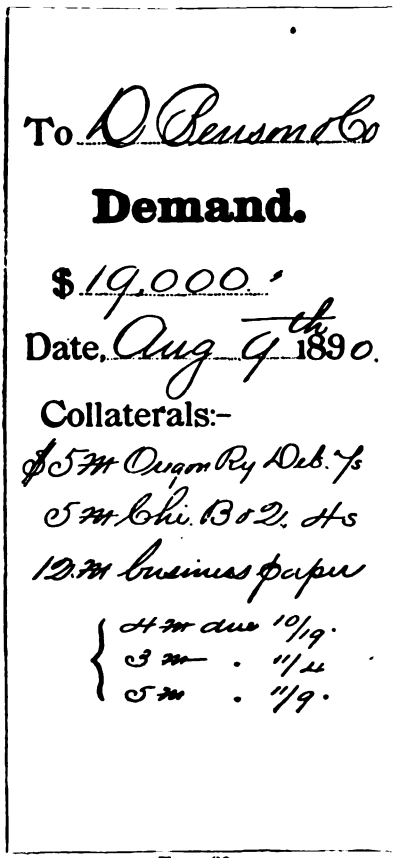
in the discharge of debts, yet it cannot make advances upon pledge of real estate and buy and sell this class of property. Where it has, by force of debt circumstances, become the owner of real estate mortgages or of real estate the Banking Department at Washington takes the ground that it must relieve itself of such holdings as early as practicable.

Bankers and business men, mainly of the South and West, have from the beginning of the National bank system been urging the necessity of such a modification of the National Bank Act as shall permit National banks to enter regularly and systematically into the business of making loans upon real estate, but though there is much that may be urged in regard to this proposed amendment it has never been received with favor by the majority of our best practical and theoretical financiers. They hold that advances upon real estate, as far as banks are concerned, should be left to savings banks, which are peculiarly competent to make what may be termed perpetual uncollectible loans upon solid security, while banks of the other class are from the nature of their deposits best adapted for the negotiation and management of easily collectible loans of short dates. There is no immediate prospect of any modification of the Bank Act in this respect, and it is well that such is the case.

CHAPTER VIII.

THE BANK'S COLLATERALS.

One cannot with difficulty over-estimate the importance of this topic. The stock, bond and various other classes of paper securities which are held by our banks as collateral security are usually put in the charge of the Cashier or Discount Clerk and kept in the safest place the bank has at command. These securities are not the bank's property and their pledgors are one and another borrowing dealers, who have been in the habit of taking good care of them, and who wish the bank to do the same. They should be neatly packed away, and care should be taken not to have them torn or disfigured. Boxes of tin, or something of the sort, should be used by the bank for the storage of the shares and bonds in the vaults.



Form 30.

The officer in charge should have them very neatly and systematically arranged and in such shape and with such accompanying descriptions that they may at all times be in readiness for easy and correct examination at short notice by Directors or Bank Examiners, and easily handled for exchange or for final delivery to the pledgors. The condition of the collaterals in these points of arrangement and tidiness is a gauge of the character of the general management of the officer in other points of his administration. Form 30 on this page is a descriptive cover for use in the filing we have just specified above. These covers, or labels, are made from good stiff pasteboard, and are

intended to be strapped upon the collateral they describe with straps of rubber or leather.

If the securities are held by the Cashier, and the secured notes by the Discount Clerk, the Cashier should place on the notes some mark of his possession of the collateral as a satisfaction to the bank and Discount Clerk. In the progress of a collateral note towards payment many changes of collateral are quite likely to take place, but no Cashier or other officer should give up to the dealer, either in the way of exchange or at time of payment, collateral security held with notes without taking a receipt for the same. Misunderstandings, litigation and losses, have entered banks through bad systems of handling collateral.

It is by far the better course to rigidly carry out the plan of using a receipt or memorandum of this sort (See Forms 31 and 32) for all such changes and deliveries.

Memorandum of Change of Collaterals.

Received....*$1,000 bond Dorchester R. R. Co*.....

.....

Substituted....*my check, $1,000*.....

.....

.....*Arthur Duncan & Co*.....

New York,....*August 11, 1890.* ....*by Paul Graham*.....

Form 31.

Memorandum of Change of Collaterals.

Received....*100 shares Somerset R. R. Co*.....

.....

Substituted....*100 shares Worcester R. R. Co*.....

.....

.....*H. Robinson & Son*.....

Philadelphia,....*August 15, 1890.*

Form 32.

The question is very often raised whether or not banks and bankers

examine coupon bonds which they are currently taking in such vast quantities to see if all the right coupons are attached when the bonds are taken on as collateral. Such examinations are very infrequently made. Neither is the borrower in the habit of looking into the coupon portion of his collateral when he receives the bonds back from responsible holders after paying the notes secured by them. Once in a while there is trouble, and it is found that bonds which have been doing a large business in a collateral capacity have somehow lost coupons—losses which are exceedingly embarrassing since it becomes extremely difficult to locate the deficiency.

If coupons mature while the bonds are being held as collateral, a receipt should always be taken to show their delivery to the owner of the bonds ; and, similarly, dividend orders upon stock collateral should either be so drawn as to require the owner's endorsement or should be covered by a receipt.

If a bank takes on as collateral time paper, it should have some perfect system by which it may certainly avoid the disagreeable results of letting such paper run by its maturity unpresented and thus losing endorsers.

Placing dummy covers in the collection files, or discount files, and other plans will readily suggest themselves to bank officers as a preventive of the trouble named.

It is often important for a manager to be able to know at a glance just what lines of shares and bonds he is loaning upon, for wavering markets may make him anxious about margins. For this reason a book, showing these facts easily and quickly, should be kept. Here is a good form (See Form 33) for such a book :

COLLATERALS.

Chicago, Burlington & Quincy R. R. Co.

Promisor.	Description of Collateral.	When due.
Jacob Jones.	*100 shares at 110.*	*Dec. 22, 1890.*
R. Sewall.	*50,000 7 % bonds.*	*October 21.*

Form 33.

One other point relative to the exchange of collaterals deserves particular notice. In making time and demand loans upon collateral of bonds, shares, etc., bank managers are very particular at the start to scrutinize the character of the collateral taken. Every item of the securities upon which the advances are made is carefully passed upon by the responsible management of the bank. So far so good. But the

notes have no sooner passed into the loan of the bank than there begins in very many cases a series of changes of collateral. The pledgors, in the regular course of business, often sell portions of the original collateral from time to time, and then they withdraw these marketed portions and in their place substitute new purchases which they have made. Before the loan is finally settled the collateral has in very many cases been so completely changed as to be entirely unlike that which was pledged at the start. In some banks I fear an insufficient supervision is indulged in by Managers, Directors, etc., in regard to these changes. The details are attended to by the officers of the discount department, and as the collaterals themselves are often left in the hands of these officers, it is very natural to slide into easy-going habits regarding this business. Old collateral is often delivered and new collateral taken on without that careful consultation with Managers which the situation demands. To obviate this difficulty a book should be kept whose special work should be that of presenting a clear and detailed record of all the changes in question made the moment the changes are made. This book should be constantly open to the inspection of the Manager and Directors, and they should be expected to make their check marks of recognition and approval of these current changes.

RESPONSIBILITY FOR COLLATERALS.

He borrowed fifty thousand dollars from a bank, leaving with the bank as collateral security seventy-five thousand dollars in the bonds of a solid railroad. He was an experienced and very heavy borrower of call money of banks, and always gave the best of security, taking from them large sums, and receiving from them the lowest current rates. The talk that was made upon this care of collaterals between this large negotiator and his bank, when the loan I have just named was made, well illustrates the situation of the matter in question, and I reproduce it, premising that, after this borrower and lender had their say, there was very little left to be said upon it.

As the borrower passed over to the bank Manager his pile of collateral bonds the banker remarked, as he has many times before to the same borrower (for the matter had always been a point of pleasant contention between them), "I suppose you fully understand that we are not responsible for the care and safety of these bonds beyond the exercise of due diligence and carefulness as custodians—the exercise of the same care and diligence as we bestow upon our own securities and cash? These bonds are your own property, left with us for your own convenience. If, after taking them on and looking after them they are burglarized or destroyed the loss is yours and not ours, for so the Courts have many times ruled, so says "Jones on Collateral," "Morse on Banking," etc., and so rules custom, equity, and common law and common sense."

This very strong and most decisive statement of the lender's side of the case was met by the borrower's declaration of views which

embodies about all that can be said. He simply remarked: "You have my property as a pledge for your money. I shall not pay your money until you return me my bonds, and I should like to see you attempt to force me to do so. If you take good care of the bonds you will not lose them; and, if you do lose them, I shall hold you responsible—shall take the ground that you have been careless, your employees dishonest, your vaults insecure, or something of that sort, and in that event I shall not pay my note, Jones or no Jones, law or no law, to the contrary notwithstanding."

And this is where the matter rests. There have, fortunately, been few actual contentions in this field, and when they do come up the battle will be over circumstances indicated in the discussion quoted.

COLLATERAL VERSUS PERSONAL SECURITY.

Many private capitalists and some banks and bankers who are in the business of buying paper and making loans prefer to make advances upon purely personal security rather than upon paper accompanied by collateral, especially coupon bond collateral. Their reason for this preference is found in the fact that they dislike the care and responsibility involved in holding this last-named class of collateral, or any collateral the loss of which would cause them serious trouble. Whatever may be the character of the legal theories advanced there is not a shadow of a doubt but that any promisor who found the bonds he had pledged with his promise not forthcoming when, at the maturity of his promise, he made ready to pay his note, would refuse to make the payment and would demand his collateral before making a settlement.

Many heavy buyers of paper—investors who have for a long series of years made a practice of putting all their funds into notes and acceptances—have had so strong a prejudice against bond collateral that they have never touched paper thus fortified.

But there are large investors and loaners of a different opinion, and as the institution of safe deposit companies has greatly facilitated the business of handling collateral loans, they find quite a good proportion of their patronage coming from private capitalists who use them for the storage of bonds, etc., upon which they have made advances.

I hope no bank officer will pay so little heed to what I have written regarding the safe-keeping of valuables as to find a question of loss giving a vital interest to the following regarding the finding of property:

In Massachusetts, the law in regard to the ownership of property found in a shop, office, etc., is as follows:

If the property is in such a position as to indicate that it was placed there voluntarily and then forgotten and left, as, for example, if it is found on a table, counter, or desk, the store-keeper, bank, etc. (as the case may be), is entitled to the possession as against the finder.

But, if the property is found in such a position as to indicate that the owner never intended to place it there—for example, on the floor—the *finder* is entitled to keep it, as against everybody but real owner. (McAvoy *vs.* Medina, 11 Allen, 548; Bridges *vs.* Hawksworth, 21 L. J. Q. B., 75.)

This is subject to the statute provision by which the city or town in which the property is found is entitled to one-half its appraised value. (P. S. Mass., c. 95.)

I end this chapter by presenting an ancient Boston bank collateral form of note (see Form 34), the original of which is in the collection of antiquities belonging to Hon. Robert Black, of Brooklyn, N. Y.:

BOSTON, 4 Nov 1813. For value received, I promise to pay JOHN P. CLARK, Esq. Cashier of the State Bank, or to his successor or successors, in that office, or to his or their Order, at the State Bank in Boston, Six Hundred —— Dollars — Cents, in fifty seven days from date, and grace.

Aaron Hobart

KNOW ALL MEN, THAT I

in consideration of Dollars, paid me by JOHN P. CLARK, Esq. Cashier of the STATE BANK, do hereby sell, assign, and transfer to him and to his successors in that office, all my right and title to

to have and to hold the same, to him and his said successor, as collateral security, for the payment of the note above described, which note has been discounted at said Bank, and the same Stock is to remain deposited in the office of said Bank, and in case the same note shall not be paid in three days from the time it may become due, or in case the same sum, or any part thereof should again be discounted at said Bank, the same note shall remain as security for the repayment of any sum, which may be discounted thereon, and if the sum so discounted shall not be paid when the same becomes due, from time to time, then I agree that the said Cashier may cause the said Stock to be sold, either at public or private sale, and the proceeds thereof may apply in the payment of the above described note, and after deducting all charges attending such sale, the overplus, if any there be, shall be passed to my credit at the State Bank, and remain subject to my order.

BOSTON, 181 I Aaron Hobart

Form 34.

CHAPTER IX.

BONDS AND COUPONS.

Negotiable bonds are simply negotiable time paper, bearing interest and passing by delivery.

A first mortgage coupon bond of a railroad or any other corporation is a time mortgage note, the coupon being a convenient form for paying and endorsing the maturing interest. Printers and engravers have in these modern days exhausted themselves in the work of giving corporation bonds an impressive and attractive appearance, and lawyers, trustees, treasurers and boards of finance have covered some of them with forms restrictive, qualifying and explanatory; yet, after all, they are simply the corporation's promise to pay, with interest, at some future day a sum of money.

Investors are sometimes heard saying of some homely, cheaply printed, pictureless bond, issued by some economical interior town or city, that it must be a pretty good bond since it looks so poorly. This way of talking expresses a prevalent re-action against the practice of making picture-book styles of coupon bonds—a re-action which has in a measure been fostered by the fact that many of the most showy bonds ever thrown upon the market have, in the end, been of value only as wall paper.

In England I found bonds were quite generally termed debentures; but the debenture of our Stock Exchange is simply a corporation's *unsecured* promise to pay—only a certificate of its indebtedness.

The word coupon is from the French word *couper*, to cut. These little cut-offs, which are really nothing more nor less when surrendered than an interest receipt on a time note—a substitute for a semi-annual or quarterly endorsement of interest paid—are, as their name indicates, a Continental importation. They have been in use with us only a comparatively short time, and many a banker who reads this without glasses can recall the time when coupons were not in existence—at any rate not here.

But now the little, easily lost and readily negotiated coupon, whose disappearance amounts to so much cash, since it is good in any honest hand, and, practically, is incapable of being stopped, is here to stay and has come to be one of the most troublesome vouchers the bank officer is called upon to handle. They are a convenience; but, viewed in some respects, are what may be termed a great trial and nuisance. They are always losing and mislaying themselves, and to lose one is

like losing a gold dollar. It is easy to say that, as a voucher, they are too small—not big enough in paper, yet they are so numerous one would hardly dare to propose that their size should be increased for fear they would be monopolizing too much room in the Teller's cash, in Messenger's wallets, and Treasurer's vaults. The mere work of cutting them from the debentures held by some of our great bond owners is so tedious that nothing but the consciousness of full proprietorship in every one detached can make such coupon-clipping other than the most wearisome drudgery.

Regular coupons, payable, as they usually are, to bearer, at a specific date, carry grace. Here is the common form in question (see Form 35), the very coupon upon which a suit was based, which evolved the final decision, still standing firm, that such coupons carry grace:

$35. **The Indianapolis, Bloomington & Western Railway Co.**

will pay the bearer, at its Agency in the city of New York,.....

....*thirty-five dollars*.....in gold coin, on the *first day of April, 1871*, for semi-annual interest on Bond No. .....

(Signed,)

A. P. LEWIS, Secretary.

Form 35.

Interest warrants do not carry grace. Here, too, is the form (see Form 36) of the very interest warrant which was in suit when the *no grace* decision was reached:

$35. **INTEREST WARRANT.**

for *thirty-five Dollars*, upon Bond No. — of the

DANVILLE, URBANA, BLOOMINGTON & PEKIN RAILROAD CO.,

payable at the office of the Farmers' Loan & Trust Co., in the city of New York, *April 1, 1871.*

(Signed,)

W. J. EMENTROUT, Secretary.

Form 36.

Government coupons may be collected at any Sub-Treasury of the United States without the identification of the bearer. Collectors of registered Government-bond interest must be identified, and owners of registered bonds of the older issues for which interest checks are not

sent out can only collect their interest at those Sub-Treasuries where they have, in registering their bonds, requested that the United States Treasurer should make their interest payable. Coupon bonds are good in the hands of an honest holder, and he can hold them, and collect their coupons, all caveats and stoppages of payment to the contrary, no matter if they have been stolen a dozen times and can be positively identified as many times by honest parties from whom they had been stolen after honest purchase in the open market.

Patent coupon cutters, of cunning device, have been invented. I have examined and tried many. The best of them are good workers, on some bonds, when the bonds are in fitting shape and order. But at times the best coupon cutter ever planned must give way to what may be termed the hand-picking process—the simple cutting of one coupon at a time with a pair of scissors.

REGISTERED BONDS.

If a holder of registered bonds loses his certificate, he has only to notify the Treasury Department of his loss in order to protect himself against all trouble, for the bonds will not be available to any other person unless transferred by the original holder. In case of the destruction of registered bonds, by fire or otherwise, the loser can procure from the Treasury Department new certificates by presenting proof of the destruction, the usual guarantee bond, and a full description of the marks and numbers of the missing certificates.

There is one point about the transfer of registered bonds that should be carefully borne in mind. The certificate of transfer upon the back of these bonds is sometimes forged, and care should be taken, in purchasing this class of securities, to deal only with honest and properly-identified parties. They should never be bought of strangers or suspicious characters.

And it is not well to hold registered bonds which have been transferred in blank—that is, to hold them as a permanent investment. The transfer should be made complete by transmission to Washington at the earliest possible moment. It is nearly as unsafe to hold these incompletely-transferred bonds as it is to hold coupon bonds.

When these blank transferred bonds are purchased for re-sale, much risk may be avoided by at once filling up the blank with the name of the purchaser. When re-sold, a second assignment may be made upon the same bonds in the space left for that purpose.

DESTRUCTION OF UNITED STATES BONDS.

The United States must in the end profit largely from the destruction, in various ways, of its promises to pay, which are so widely scattered in the shape of its Treasury notes, time bonds and other classes of vouchers. It will also, as I have elsewhere explained, reap a large harvest from the destruction of National bank circulating notes.

The stated exhibits of the resources and liabilities of the United

States Treasury, showing, as they do, large items of uncalled-for interest and vast amounts of outstanding long past-due bonds, indicate the results I have pointed out.

One can easily imagine the thousands of ways in which Government promises to pay are placed beyond redemption. They go up in fire and smoke, they go down in ships, they are worn out, lost and scattered in all sorts of ways.

A single striking illustration of this point comes to mind. The young man came rushing into the office of a large dealer in United States bonds in great excitement. The situation was this. His father had suddenly gone crazy, and had deliberately thrown into a blazing stove $5,000 United States bonds bought of that very house. The son had entered the room where the work of destruction was going on just in season to see the ashen remains of the burnt securities. There they lay, clearly indicating what had been done, for the sheets of unbroken cinders could actually be read. The son had preserved these charred remains—in fact, had not dared to touch them, for fear they would crumble out of sight, but had kept them in the stove where they had blazed, and was carefully holding on to the stove. The Government bond dealer's only advice to the panic-stricken young man was to have the stove sent to Washington for redemption, and I have the impression that this was done, and that the United States finally paid for the bonds.

But in how many cases are there losses of bonds without any sort of evidence—not even the ashes in the bottom of a stove—to prove their loss or destruction!

STOPPING PAYMENT OF BONDS AND COUPONS.

Where bonds and coupons are not of the registered or (as Londoners term them) inscribed class their payment cannot, speaking in general terms, be effectively stopped. There are, of course, exceptions to this rule. Common law, custom and common sense demand that all persons shall exercise caution and transact business with their eyes open so that no opportunity can be taken advantage of to further schemes of fraud. It would be easy to imagine cases where judges and juries might hold purchasers of stolen coupon bonds or coupons liable for not exercising protective care and prudence in transactions incident to taking them. Whenever cases of this character are brought into Court they are settled as far as practicable in accordance with the surrounding circumstances and the laws and customs governing in similar instances.

Broadly stated, the ground taken in business and financial circles in regard to stopping payment of bonds and coupons is that so squarely assumed by the United States in its coupon transactions. The Treasury Department does not now attempt to caveat or stop payment of lost or stolen coupon bonds or coupons, or to assume the slightest responsibility in deciding questions of disputed ownership, but recognizes only the *bearer* as entitled to payment. Courts have decided over and over again that a coupon bond payable to the bearer is good in the hands

of an innocent and *bona fide* holder who has obtained it in an innocent manner by honest purchase at a reasonable market price, though the bond may have been lost by or stolen from another person.

Bankers and general dealers in securities often buy and sell bonds which have been very extensively advertised as lost or stolen and their payment "stopped," and it is easy to see why this position regarding coupon bonds and coupons assumed by the Government, and which has been generally received as a correct one, is the only ground which can be deemed consistent with the exigencies of cases likely to arise. The only practical way out of this stopping-notification business is to take no cognizance of the caveats.

There is constantly falling a steady shower of notices of stolen United States bonds, giving all their marks and numbers and full particulars of the time and manner of their taking off by the thieves; but these circulars generally go into the waste-baskets of the bankers and brokers receiving them.

Not long ago a banker had in hand a large pile of coupon Governments, fully identified as being the late property of an interior National bank, from which they had been masked-burglarized within a very short time by a party of the fashionable gagging vault-smashers of the period. The interview with the present holder of the wandering bonds was interesting, but not profitable, as far as the robbed bank was concerned. The new holder politely tendered all the assistance in his power to aid in the search for the rogues in the case, and offered to sell his bonds to their old-time owner at the lowest market prices.

I have heard parties speculate, when receiving packages of hundreds of thousands of dollars in coupon United States bonds, as purchase or collateral, upon the number of times the bonds may have been stolen from somebody or another.

It is absolutely impossible for the banks and bankers to compare the quantities of coupons which pass through their hands for collection with these lists of the marks and numbers of the stopped coupons, even if they attempted to preserve and keep the run of them, and the question is very like that of stopping Bank of England notes. Notices of such stoppages of payment are being constantly advertised in London papers and sent to the Bank of England. The Bank will pay all its genuine notes held by honest hands whether stopped or not. The only advantage of these notifications is the use which may be sometimes made of them in tracing back stolen notes to thievish hands. The Bank of England lends a hand in this work, for, when stopped notes are presented there full observation is taken by comparing them with the marks and numbers of the lists and notifications of the lost or stolen notes which are always kept at hand in the bank, and the presentor may be called upon to show where he received them. Outside of the bank the lost and stolen notes which have been "stopped," travel as well as any other, since it is utterly impracticable for the

public to make any discrimination. In this country, attempts have sometimes been made by large losers of coupons and coupon bonds to secure from banks, through medium of the express companies, receipts for notifications of stoppages of payment delivered them. Banks should not make such acknowledgments, since they must not concede that it is their duty to recognize any binding force in these notifications.

HANDLING COUPONS.

When dealers deposit their coupons at their bank they should carefully list them. Here is a good form (see Form 37) of coupon deposit ticket or invoice:

Nos. on Coupons	Number of Coupons	Amount each Coup.	Total Amount
United States 4%			
4928 · 6273 · 29,052			
31,643 · 31,907 ·	5	10	$ 50
Chicago, Sewerage 4%			
9442/81 · 2690/95	16	35	5 60
4106/8	3	17 50	52 50
Cal. Southern 1sts			
1,922 · 2045/52 ·			
7,108 · 9253.			
9,270 · 9295			
10,041 · 10268	15	30	4 50
			$ 1,112 50

Form 37.

Where coupons are cut from *registered* coupon bonds, and passed by the owner through the bank or other collection avenue, they must be accompanied by an order from the person in whose name they are registered for their payment to the collecting agent.

The Treasurer of one of our States takes the ground that the coupons themselves must be endorsed with this order. But coupons have not a paper back which is roomy enough for such an endorsement or which was ever intended to be so used.

The United States issues no inscribed coupon bonds. Its registered

bonds are simply consols—couponless certificates, and the interest upon the same is sent to the owner in the form of a payable-to-order Treasury draft, the endorsement of which is the receipt which the registered holder gives for his interest.

When banks send coupons away by mail, registered mail, or express, for collection, they should be carefully enclosed in marked, numbered and labeled envelopes. Here is an excellent form (see Form 38) for envelopes required for this coupon use:

From

FIRST NATIONAL BANK, of Chicago.

Coupons *Chicago and Western Michigan R'way 7's.*

15	*at*	*35*	*$ 525. —*
8	*at*	*17.50*	*$ 140. —*
	at		*$ .....*
Account *of A. Hood, Trustee.*			*$ 665. —*

PLEASE ENCLOSE COUPONS OF ONLY ONE CORPORATION IN EACH ENVELOPE.

Form 38.

A DEMORALIZING PRACTICE.

There are bankers and others who see nothing wrong in undervaluing packages of bonds, coupons and negotiable securities forwarded by express which go through the money departments of these common carriers and receive the best transportation and protection that can be afforded. People who avail themselves of the services of an express company should understand distinctly that the practice we have in mind is not an honest one. The individual who deliberately marks a value of one thousand dollars on a package of ten thousand dollars in money or uninscribed coupon bonds and sends it by express from New York to Chicago on an express receipt and express charge for only a thousand dollars, is guilty of a deliberate fraud upon the express company. In doing this he undoubtedly argues with himself that it is all right, since the company cannot be made responsible to him in case of loss for more than the sum he has marked on the package, and which they have receipted for, and that he has only put upon them the risk and responsibility of the smaller sum for which he has paid. But this superficial reasoning does not by any means cover the point. Fairly stated, the express company may be said to have carried for him nine thousand dollars for which he has not paid, and they are deceived and defrauded by him to this extent.

He has availed himself of all the facilities the company has at its

disposal for the carriage in safety of valuable packages, and has not paid for the services he has received.

Managers of express companies are justifiably indignant over the wide prevalence of this undervaluing practice. The Superintendent of one of the largest express companies not long ago declared that he would never take a package a second time from a sender who had been known to undervalue and underpay, without having the contents of the package shown to him before he receipted for it, nor would he deliver packages to such offenders without demanding a sight of their contents before he settled for their carriage.

Not long ago coupons amounting to over $20,000 marked "no value", were sent through an express company on a charge of fifty cents. The package was lost, and the most troublesome and costly complications arose as a consequence of the fraud.

Undervalued packages sent by express to the United States Treasury are always reported at once to the express companies by the department.

CHAPTER X.

THE CASHIER AND HIS DUTIES.

His general duties and responsibilities are well defined in the National Bank Act. His unwritten duties and responsibilities are those of which I propose to speak in this section.

The bank Cashier is the chief executive and administrative officer of his bank. He represents the will of the President and Directors, and sees to it that their will and wishes are carried into effect; but beyond this it is very important that he should never for a moment forget that bank Cashiers are special and independent and responsible officers—chief executive officers—of their corporations, and not *mere* representatives and subordinates of Presidents and Directors. They are quite apt to gravitate towards the last-named view of their status —their situation and vocation—simply because they are chosen by a Board of Directors and hold their positions, as it were, at their will. Nevertheless they are, purely and simply, in all important points, officers and representatives of the shareholders, and, looking to final results, the shareholders are the parties to whom they must, in case of stress, make final appeal, and who will, under all circumstances, hold them responsible for the faithful and proper discharge of their legitimate duties which are, as I have said, largely of an executive character, and clearly defined in the Bank Act, the common law of the United States, and the decisions of equity practice.

The Cashier who would wish to be fully equipped for his place must be a constant student of his business. He must keep himself fully acquainted with the banking laws under which he is working, watching carefully every item of new legislation bearing upon his profession. He must read the reports of the cases in law, with the decisions reached, of those interesting banking suits which have had such an important bearing upon the work of defining the duties and responsibilities of bank Cashiers. In a word, he must make himself as thoroughly conversant with the laws, customs and practices which have to do with his position as his time and strength will permit. It is a satisfaction to know that what may be termed the banking literature of the day is steadily placing within his reach classified information upon all points relative to his profession.

It is the duty of the Cashier of a bank having many departments and a large corps of officers to see that all their work is well and promptly performed, and to give his attention to a general oversight

of the labors of his subordinates rather than to the personal discharge of the details of any division of the labor that is going on about him. The Directors of the bank have a right to expect that he understands all about the business. They are supposed to give him all the help he needs. They hold him responsible for the good conduct and faithful work of this help. The experienced and competent Cashier has little ambition to make loans for the bank, or to exercise an undue influence in the matter of extending credits of any description. He understands that the Board of Directors exists for that purpose, and, that if they do their duty, they will attend to this loaning business.

In the running of the complicated machinery of which he is the executive head and chief manager, he will find that a large share of his time is taken up in settling properly nice questions of action in the vast number of cases of practical banking which are brought before him by the heads of the various departments. He is expected to know the rights and duties involved in every case, and to decide safely and promptly on all matters at issue. Much of his time must also be consumed in holding audiences with dealers and the general public who for one purpose or another are often found calling upon "our bank."

The Cashier ought to understand every book in his bank. There should not be a single entry therein which is not plain English to him. He ought, in fact, to understand all the methods and machinery of banking; or, at least, that class of banking he is engaged in. If at any time he finds himself at a loss to comprehend any feature of it that presents itself, he should lose little time till he has studied himself into the desired knowledge.

Many banks are making a mistake in requiring their Cashiers to serve as Discount Clerks. I am, of course, now only referring to large banks, which need a large corps of clerks. It is not a good plan for a large city bank to combine these two offices of Cashier and Discount Clerk in one, unless exceptionally light work and proper economy demand such a doubling up.

He should have no other business on his hands but banking, and that banking, that of the institution under his charge. He should make up his mind, when he accepts his position and his salary, to be content therewith until he decides to make a change in some direction that may seem to him of advantage. He should not, by any means, be a speculator, even in the mildest way. The duties and responsibilities of his place are entirely out of harmony with private trade on his part of any description. And, in fact, there are not many Cashiers who, without doing injustice to themselves or to the institution under their charge, can find the time and strength to go into trade and speculation on their own account. Once out of the bank for the day, they will generally find it wisest to sink the shop and engage in "recreations" of a very unbusinesslike character, such as out-of-door

exercise, the enjoyment of pleasant society, books, art, music, and innocent and profitable hobbies of various descriptions.

There is one delicate matter relative to a Cashier's duties that must not be overlooked. It is particularly incumbent upon him to see that all his officers treat every customer—dealer—who enters the bank with the extremest courtesy. And in his intercourse with his subordinate officers he should also present an example of that courtesy of manner which he wishes them to show in their intercourse with depositors, etc.

A bank Cashier should never reprove, or find fault with, any of his clerks in the presence of customers of the bank; or, if it can possibly be avoided, in the presence of their fellow officers.

In most of our banks these suggestions may not be needed. In exceptional cases they may not be out of place.

I will add a few more words as to the relations between a Manager and his clerks.

Their relation to each other should not only be harmonious, but should also be heartily co-operative—a word which I am here using in a sense which will need a little explanation. I mean to be understood as saying that that bank moves along best in the management of its methods and machinery, where superior officers and subordinates labor the most helpfully together towards one end—that end being the safe and successful administration of the affairs of their bank.

Every Cashier should make it a special point to give his officers every practicable opportunity for learning, in the most thorough manner, the business they are following—should do this, not only for their own good, but for the good of the bank in which they are laboring. The more the officers are brought out — developed — so much more valuable they will be to their institution, and the more satisfaction they will take in their daily routine of work. Superior officers—Presidents, Cashiers, etc.—should understand that their own special duties will be lightened, and the general business of the bank facilitated, by the freest consultation with the men who are attending to the details in the various departments of their institution.

There are points about which these subordinates can give the Manager much valuable information — or call it instruction — of a character which it will be difficult for him to obtain elsewhere; and the superior officers place themselves at a great disadvantage when they show an aversion to receiving hints and suggestions from those under them.

There is an old saying that two heads are better than one. Another, that two pairs of eyes are better than one. We might as well add to these saws another aphorism, which is, that two memories are better than one.

Many a hard-pressed bank Cashier might realize the truth of this last expression, and profit by it, if he would utilize to the best advantage the talent that is working with him by leading his officers into a habit

of looking with him into every important question of bank management that comes up in their circle of business, so that, when matters of a similar character again present themselves, he could have their intelligent co-operation in the settlement of difficult points.

PRESIDENTS AND CASHIERS.

The relations between these two officials should be of the most frank, cordial and agreeable character.

There cannot be two heads of one bank; and where there is an active and capable working President, chosen for the purpose of acting as the head and front of the bank, and paid for that service, the Cashier of the same bank, no matter how able and experienced he may be, must consider that his role is very like that of a Lieutenant-Colonel in the presence of the Colonel. He must be content to play, to a certain extent, a subordinate part. In such cases the President and Cashier have each their well-defined and distinctive duties, and there is not the slightest need of any conflict of authority. What these distinctive duties are I define elsewhere. And, as these head officers move along together, spending the best part of their lives in each other's company and both giving their time and strength to the work of running the bank under their charge, they should endeavor, by the exercise of mutual patience, charity and manliness, to make their ways of life at the bank as agreeable as possible; and where the relations between President and Cashier are what they should be — where they each understand their duties, and aim to discharge them rightly—the official whom we have termed a subordinate in many respects may yield due deference to the position above him without giving up one iota of his self-respect or manly independence. In many points the position he holds is a more enviable one than that of the higher officer. He is called upon to shoulder less responsibility than that which must be assumed by the President; and responsibility is something which men of the largest experience are the least fond of taking, since results and consequences are so often disappointing.

The Cashier should carefully avoid carping and criticising remarks regarding the management of his President and Directors. It is about time for him to either reform or cut adrift from his bank if everything there for which he is not himself directly responsible is so managed as to lead him to spend much of his time in growling about the doings of his President.

It is a very good rule for a Cashier never to say anything about his President's management which he would not like to have the President hear or would not be willing to say in his presence.

And it is well for the President to adopt the same platform.

Cashiers and Presidents, who are not in their bank life and work in the best of relations towards each other, lead a very unattractive business life. I have observed instances where a Cashier's steady habit of placing himself in a chronic attitude of mental hostility—dissatis-

faction with his President and all his ways—has so reacted upon himself as to render him a most unpleasant and most unhappy man.

THE SPECIAL DUTIES BELONGING TO THE CASHIER.

Beyond the work and care described as devolving upon the Cashier there is a round of duties supposed to belong especially to his department and to which he is expected to give particular attention.

HIS SIGNATURE.

The Cashier is the chief representative of the bank in the matter of his signature. It is difficult for a bank to go behind it or do anything without it. Wherever he signs, in his official capacity, and within the limits of his authority, the bank is irrevocably held, and his authority, as banks have discovered in cases where they have contested his signature, is very wide. The limits set upon its binding power are quite well defined in several recent great legal contests—notably those in which Mellen, Ward & Mower involved the State Bank and Merchants' Bank, of Boston, and to which the United States was a party. These famous cases have been fully reported, and every student of banking, who wishes to follow further the point we have in hand, is advised to make a careful study of them. In these suits the late B. R. Curtis made some of the most valuable and interesting presentations of facts and arguments bearing upon the Cashier's signature powers.

The Cashier of a bank signs, in connection with the President or Vice-President of the institution, all the circulating notes issued. If he does not do this in his own handwriting he does it in spirit through the hands of the printer, who stamps upon the bank bills the *fac simile* of his signature, of which the Cashier has careful custody, and which in its place, holds the bank fully responsible.

Attempts have been made by the bank authorities at Washington to deprive banks of the privilege of printing their signatures upon bills; but the condemnation of this practice by a Treasury Department which introduced and maintains the use of *fac simile* signatures on every variety of its own enormous issues is extremely inconsistent and has not been enforced.

The National banks are everywhere in the habit of using these labor-saving and extremely convenient stamped signatures upon their bills.

The Cashier signs the checks of a bank and affixes its endorsement where such is needed. He also signs all reports and returns made to the Government. In these cases the President may alternate. He signs, with the President, all certificates of ownership of the capital stock of the bank.

THE CORRESPONDENCE.

The Cashier of a bank is supposed to attend to all its correspondence, to send out all its letters, and to receive, open and reply to all letters addressed to the bank. If he does not do all this with his own hands

and eyes, as he is likely to do where his bank is a small one and its correspondence comparatively light, he does it through his "doubles" —his Assistant Cashiers and Corresponding Clerks. Where what may be termed the more mechanical part of this correspondence business is deputized, as is the case in large banks, the deputies who may open and answer letters would be deemed entirely remiss in their duties if they were to allow a single bank letter to come into or go out of the bank relating to anything not of the simplest routine character without both letter and reply being submitted to the Cashier.

In some banks the rule prevails that the Cashier shall sign every letter that the bank sends forth. As I have hinted, this cannot be done where the correspondence is extremely heavy, and in such cases the matter should be compromised by the establishment of a system requiring him to sign or revise all letters of special significance.

In the supervision and general conduct of the correspondence of a large bank, the Cashier who is ready to grasp at all short-hand processes will be quite sure to summon to his aid the stenographer and the typewriter. These two workers, if we may thus express ourselves, are now quite commonly combined in one person. The Cashier dictates to the stenographer, and the stenographer turns to his writing machine and makes ready thereon a fair copy of the dictated letter, submitting the same to the Cashier for his approval and signature.

RECORDS AND BOOKS.

The Cashier has generally the duty of recording all meetings and transactions of the Board of Directors, and this, of course, should be done promptly and with the greatest exactness.

He also, no matter how large his bank may be, how extensive and complicated its business or numerous its departments, should understand and be closely observant of all the methods and machinery of the institution in his charge—should know all that is there being done and also just how it is being done. He should have the reins well in hand, and know well all the ramifications of his route. At the opening of each day he should know just how his bank is situated and the trend of its movements. When the gate is shut at the close of the day's business, and the machinery ceases to run and the wheels to revolve, he should also know about where his bank stands.

With this aim his book-keeping will be of a general nature and deal with the totals resulting from the work of the different departments.

On page 167 is a form he may adopt with advantage (see Form 39). In a few moments of each day he can cast his eye over the principal books of his bank and from them collect what may well be termed thermometrical figures, and throw them into this shape—a shape that may be balanced into a result which will have, to him, an index-like character, and which will reveal to him at a glance the position and drift of his institution. In collecting these figures he should remember to go to original sources, as far as possible, and not to subidsiary books.

1890 **DR.** **Cash** **CR.** Statement of Cash.

Monday, July 14	Balance,	319	270	26	Checks,	320	894	43	Gold,	75	000
	Deposits,	484	115	30	Loan,	30	508	62	Silver,		
	Loan,	27	827	39	Expense,		5	25	Legals,	125	000
	Interest,		213	62	Interest,						
	Exchange,		17	05	Exchange		7	30			
	Discount,	2	103	60	Dividends,		120				
	Treas. U.S.,				Treas. U.S.,	1	000				
	Circulation,	5	000		Circulation,						
									Teller,	286	011	62
					Balance,	486	011	62			
		838	547	22		838	547	22		486	011	62
Tuesday, July 15	Balance,	486	011	62	Checks,	391	650	71	Gold,	75	000	
	Deposits,	309	700	91	Loan,	41	620		Silver,			
	Loan,	51	205	63	Expense,		12	30	Legals,	125	000	
	Interest,		23	50	Interest,							
	Exchange,				Exchange,		10	42				
	Discount,				Dividends,							
	Treas. U.S.,	3	000		Treas. U.S.,							
	Circulation,				Circulation,							
									Teller,	216	648	23
					Balance,	416	648	23				
		849	941	66		849	941	66		416	648	23

Form 38.

These figures might be all taken direct froom the Book-keeper, but they may be, and should be, gathered from the Tellers, Discount Clerks, etc.

We here give, in detail, a full explanation of all these figures—an explanation that needs only to be brief, since the statements are so systematically arranged that they are easily understood. They are two consecutive days' work; an explanation of one is an explanation of both.

We have, under date of Monday, July 14, 1890, an abstract of the transactions of the bank on that day, with a schedule, showing in detail and aggregate, the cash resources of the bank at the close of the day—a cash balance with which to start on the morning of the 15th.

The *debits* of the day are as follows :

DEPOSITS: the gross amount of deposits taken from the Receiving-Teller's books, deposits of all descriptions for which depositors are given immediate credit.

LOAN: notes discounted that have been paid. These figures from discount department.

INTEREST: money received for interest from all sources. This from the Paying-Teller.

EXCHANGE: money received from any direction as exchange on collections. Figures from Paying-Teller.

DISCOUNT: the gross discounts of the day, or perhaps of the week, figured out of notes discounted by the Discount Clerk. This item taken from the Discount Clerk's books.

UNITED STATES TREASURER: remittances received from him in payment for bills remitted or mutilated National bank notes sent for redemption. This item from Paying-Teller's-book.

CIRCULATION: new bank notes of the bank's own issue received from Comptroller of the Currency. This item from Paying-Teller's book.

Turning to *credits*, we have—

CHECKS: this item from Paying-Teller's book, shows entire amount of checks paid during the day.

LOAN: this item the gross amount paid out for net of paper discounted. The figures are taken from the Discount Clerk's book.

EXPENSE: this from Paying Teller's accounts. All bills paid in the day—bills of every class, which are the incidental expenses of running the bank, such as salaries, stationery, fuel, etc., etc.

INTEREST: this may be rebates on prepaid discounted paper, or interest upon deposits. The item is made up of figures from Discount Clerk's books and the Paying-Teller's.

EXCHANGE: this from Paying-Teller's books ; costs of collections made, charges on foreign paper.

DIVIDENDS: this, dividends paid in the day. The dividend was declared in April, and the present current payments are slow and small. The bulk of them have been called for earlier.

UNITED STATES TREASURER: this, cash sent to him for new small legal-tenders, or something of the sort.

CIRCULATION: notes of the bank's own issue, retired in any way.

The schedule of cash on hand, on the extreme right, is just what it appears to be.

The figures of the gold and silver and legal-tenders of the bank, which are held by the Cashier, and not supposed to be in immediate current use by the Tellers, appear first. This cash is in the Cashier's vault, and is by him passed over to the Paying-Teller as he may need it.

TELLER: $286,611.62. This is the cash assets of the bank, beyond those just named, of all sorts—mainly Clearing-House checks for next morning's settlement, legal-tenders, gold and silver.

THE OFFICE AND VAULTS.

The Cashier has in his particular charge the banking rooms which the institution occupies. If they are owned by the bank he sees that they are kept in proper repair, that the taxes and other dues upon them are discharged, and, if portions are underlet, attends to their rent contracts and collections. If the bank is simply a tenant he attends to the matter of lease and rent payments, and looks after the landlord in regard to repairs that may be needed. It is his duty to see that the rooms are properly equipped for work, kept in order and neatness, that his officers are supplied with room enough for the work in hand, that they have the needful supplies for their departments, and as good light, ventilation and general working comfort as can be afforded, and that the officers who are by the nature of their duties best accommodated by being placed near each other have their locations thus arranged. He is bound to see that the dealers with the bank and the general public that patronizes it are supplied with necessary accommodations, and what are termed the public desks and counters kept in comely order and supplied with the necessary stationery.

The vaults and strong rooms of the bank are in the special custody of the Cashier. It is his duty to see that the bank is supplied with accommodations of this class of approved and reliable character, and that they are kept in the best condition. If he does not personally lock and unlock his vaults he is expected to see that these matters are most carefully attended to, and to be extremely cautious in deputizing work of this character, for he is by the nature of his office held particularly responsible by the stockholders for the care of all the cash, securities and other valuables of the bank.

HOW DO YOU STAND?

Of a similar character to Form 39 but taking a slightly different place in the machinery of management and aiding the Cashier to keep up the closest acquaintance with the business movements of his institution is the form here presented (see Form 40)—a form of a hasty, wholesale sort of a memorandum, made to aid the memory of the

Cashier as he moves through the work of a single day. This little sheet will be readily comprehended without any detailed explanation:

Thursday, August 5th, 1890

Commerce, N.Y. Cr.	$192,000.	
Mercantile " "	37,500.	
Shawmut N. Dr.	$45,000.	
Second Nat "	50,000.	
Clg. House	$237,300.	
Nat. Bills	40,500.	
Loan	$3,183,000.	
maturing	90,600.	
Deposits	$1,219,300.	
Net Bk. "	135,600.	
	1354,900.	
½ required reserve	173,100.	
Coin $ 52,100.		
Legals $156,100	208,200.	
+	35,100.	
Lost at Clg. Ho. 20 ~~m~~		
bot. N.Y. funds 60 ~~m~~	80.	
	− 45. ~~m~~	
Second paid	50.	
	$ 5. ~~m~~	

Imp & Tra; N.Y.
Dr. $82,400.
$2703 7.2
75.
remitted 71.
146.000.

Chemical, N.Y.
Dr. $40.900.
$804 20.
21.
$805 11.6
9.
remitted 17.
26.000.

$123,300.
− 49,800.

bot. at Clg. Ho. 60 ~~m~~

Form 40.

Here we have, in round, outline figures, the condition of the bank at the beginning of the morning's business—a brief statement of its resources, maturities for the day, the amount of its loan, clearing, deposits, reserve required, debts, reserve on hand, etc., etc. And here, also, is a statement of some of its most important transactions during the day covered by this little sheet—a sheet which is an actual transcript of one that has done regular service in a large bank. The bank which is represented on this sheet is located in the Clearing-House city of Boston.

In illustration of the uses of the card it should be noted that, by its aid, the Cashier can, without hesitation, answer questions such as these —questions which are constantly being levelled at him: What did you send in to clearing? How did you come out at clearing? How does your loan stand? Have you New York funds to sell? Do you wish to buy New York funds? What is your loan? What your reserve? Can you let us have some National bills? Do you want any small bills? How much are the banks owing you? What are your maturities to-day? etc., etc.

THE CIRCLING YEAR.

The Cashier's routine duties are so varied, so irregular, and so numerous, that any hint which I can give that shall aid him in his endeavors to discharge them promptly and certainly will be of a deal of practical value. Here is a suggestion:

Let him have prepared and kept constantly on his desk a little book which he may term his *agenda*—a *vade mecum* which shall always be near him to prompt him and remind him of matters which must be attended to in due time. I have had prepared for my own use such a book as this; and, having found it a most invaluable practical aid, I will describe it and its workings so that other Cashiers may avail themselves of the plan.

It is a well-bound little volume, about 7 inches by 6, and 1 inch thick. The first part is indexed by months, and in each division of months there are pages enough to supply lines to represent each day in the month. At the end of the monthly indexed portion of the volume are a large number of pages which are indexed by subjects. The indexing is done in the ledger index style—that is, by cutting notches in the book.

Now for the way the little *agenda* book is to be kept and worked.

Bear in mind that it is a book to remind a Cashier of things to be promptly attended to—that must be done from day to day; a book that is to jog his memory. First let me give you a diagram of the book—a sort of picture of its exterior (see Form 41 on page 172), and a specimen page of its interior (see Form 42 on page 172)—showing first the manner of its indexing and then a part of the record for March.

Each morning the Cashier may turn to the proper month, and, glancing down its page see what is to be attended to; see whether there

	JANUARY.
	FEBRUARY.
	MARCH.
	APRIL.
	MAY.
	JUNE.
	JULY.
	AUGUST.
	SEPTEMBER.
	OCTOBER.
	NOVEMBER.
	DECEMBER.
	U. S. BONDS.
	INT. CONT'S.
	INSTRUCTIONS & CONTRACTS.
	ROOMS & VAULTS.
	EXPENSES.

Form 41.

MARCH.	
15	*Dividend Book* to be written up and checks ordered.
20	*Blanks for Directors* for meetings for examination and dividend to be prepared. *Advertisement* of dividend in two papers.
	Report of dividend and earnings to Comptroller within 10 days from declaration of dividend.

Form 42.

are taxes to pay, returns to be made, collections to be sent off, shareholders' meetings to be advertised, or any one of the many score of things which a bank Cashier has to have attended to at just the right time.

In the after part of the book, where are indexed all sorts of contracts, instructions, etc., that are to govern him in his dealings with his correspondents, he finds recorded in detail a great quantity of matter which is invaluable, and which is so easy of access as to make the record a great comfort to him in the administration of his bank.

A bank Cashier came to me in a disturbed frame of mind because he had forgotten to advertise his annual meeting in legal season. I could only tell him that he would have to call a meeting of his Directors and change the by-law—relative to the time of holding such a meeting—setting the time ahead far enough to permit him to try again to get in a legal advertisement of this annual meeting. If he had kept this in his Reminder Book he would have escaped all this trouble.

I have known Cashiers to forget to pay their bank taxes at the due time, to forget various due returns to the Banking Department, to forget to collect Government interest when it matured—in fact, to forget all sorts of things which they would have properly attended to had they kept an *agenda* book instead of depending upon an overworked memory.

To aid in the preparation of such a *vade mecum* I will mention in their order some of the duties which should be entered.

It is the duty of the Cashier to see that he receives all maturing interest due the bank from whatever registered United States bonds the bank may hold, and, in order to conduct this business safely and easily should have upon his *vade mecum* an accurate record of all these registered bonds, with a classified statement of their maturing interest.

On the first of January, as well as on the first of many other months, the United States pays interest upon these bonds.

In former times holders of securities of this class were obliged to call at the office of the United States Treasurer or of his Assistant Treasurers, there collect their maturing interest, and sign on the Treasurer's books a receipt for the same; but the payments are now almost entirely made by direct remittances to the bond-holders of drafts on United States Sub-Treasurers.

The opening of the year is a good time in which to make a settlement of all the outstanding bills against the bank for incidental expenses, and it is well to have an entry to cover that duty.

The National banks are required by law to hold their annual meetings for choice of Directors some time in January, the precise day to be fixed by the articles of association. A preliminary mention is also made in December.

The Cashier of a National bank must see that his semi-annual taxes on the circulation of his bank are paid some time in the month of

January and July. These taxes may be paid into any National bank a Government depository, or direct to the United States Treasury.

The semi-annual return as to amount of circulation, which is elsewhere described, also comes early in January and July.

The semi-annual dividends of many National banks are paid April 1st and October 1st. In banks where payments are made at these dates the Cashiers find the last half of March and September well filled with special duties relative to preparations for the dividends. They must see that the shareholders' dividend book is duly prepared, that the regular examination of the bank which always precedes the declaration of a dividend is duly attended to, that a complete statement of the net earnings of the bank upon which a dividend is to be based is drawn up, and, when the Directors have declared the dividend, must duly advertise it, and finally report to the Comptroller the amount of dividend and earnings.

Once a year, generally in the month of May, the Cashier must return, under oath, to the Assessors of the town or city in which his bank is located, a complete list of his shareholders, with the amount of shares held by each and their legal place of residence.

National banks now quite generally assume and pay the tax on their shares; but the list in question is necessary, so that the localities where their shares are held shall be duly credited for taxes paid upon them.

The bank must keep a record of the names, residence and number of shares held by all its shareholders, and this record shall at times be subject to the inspection of all the shareholders and creditors of the association and also to the inspection of the Tax Assessors in the locality where the bank is situated. A copy of this list, verified by the oath of the Cashier, must be sent to the Comptroller of the Currency on the first Monday in July of each year.

As the annual meeting, to be held in January, must be advertised at least thirty days in advance, the December memorandum should remind the Cashier to insert these advertisements in the papers.

The Cashier is called upon not less than five times each year to make a return to the Comptroller of the Currency, on forms prescribed by him, of the condition of the bank. This statement, which gives in detail all the resources and liabilities of the bank, is called for at unexpected times, and when called for must be at once made up and returned to the Comptroller.

The Cashier must publish, in at least one newspaper in the place where the bank is located, an abstract of these returns to the Comptroller, and forward to the Comptroller proof of such publication. Where there is no newspaper in the town or city where the bank transacts business, a publication of the abstract in a newspaper in the same county will answer the purpose.

I have now given a hasty summary of the yearly round of the leading special duties of the Cashier of every National bank, a list which shows

he has his hands full of important details that must be carefully attended to. To discharge the duties of a Cashier properly requires a clear head, a thorough acquaintance with the theory and practice of banking, unswerving integrity, patience and persistence, and the most systematic habits of business. The man who attempts to fill the position in question without proper qualifications places himself under the harrow. He who is well equipped for doing this Cashier work may do it comfortably and creditably, and may take his place on the harrow rather than under it.

LIST OF DEPOSITORS.

The Manager of a large bank, and one that has a long list of depositors, to which names are, of course, constantly being added, will find it very convenient to adopt a memorandum book, which shall be a compact indexed affair, containing, in alphabetical arrangement, a complete list of all the depositors of the bank, with their addresses, and other little bits of information about those not likely to be well remembered, which will show at a glance who they are, who introduced them to the bank, or any other points about them which shall aid in showing just who and what they are, in case of need.

I have no need of presenting a form for such a book; the description of it which I have given will enable any Cashier to get one up to suit himself. I have had in use for many years a book of this character, and I know that other Cashiers who have kept such a record have found it exceedingly useful.

A CASHIER'S SCRAP BOOK.

Every Manager of a bank should have about him, on the shelves of his bank and within immediate reach, a good banker's reference library.

It would be rather impracticable for me to specify precisely what books should enter into such a collection, since their character must necessarily vary with circumstances and location. The large bank in the great city would be expected to have more of a library than the smaller institution in the interior. On the other hand it might be claimed that the city bank, located in the midst of vast libraries and liberally supplied with legal assistance, could move along without manuals and reference books which might seem indispensable to the country bank.

I found in the leading cities of England splendid reference libraries located in their business centres—libraries that could be quickly consulted by their bankers and business men, and exhaustive in their resources. This idea should be adopted by some of our banks.

Without attempting to mention in detail what books a bank should have and should not have, it may be well to say that it needs the Bank Act, the laws of its State, a good dictionary, atlases, the best work extant on the methods and machinery of banking, a judicious selection of periodical financial literature, a file of the report of the United States Comptroller and Treasurer, a classified list of names and loca-

tion of all the banks in the United States, with names of their officers, amount of their capital, etc., and a directory of the place of its own location, if such exists.

Beyond this simple catalogue lies a large field from which selections of bank reference books may be made as means and circumstances demand.

I had particularly in mind, in opening this paragraph, a suggestion regarding the advantages of a scrap-book to a bank Manager—a neatly arranged and, if possible, indexed collection of printed selections gathered from papers, periodicals and circulars, treating directly upon the Cashier's profession and work, and of a character not to be obtained elsewhere.

The alert Cashier is often calling to mind the fact that he has seen and read somewhere something relative to a difficult point which is confronting him, and he wishes he could recall just what that something was. This scrap-book might help to fill this mental gap—bridge this lapse in memory.

PAYING DIVIDENDS.

A few hints relative to this matter may be of interest and value.

Here is a good form (see Form 43) for a Dividend Book—the book where shareholders sign the receipts for their dividends. The headings and items on this form are so clear that they need no explanation.

We, the subscribers, acknowledge to have received of the **FIRST NATIONAL BANK**, of Wellsley, a Dividend of the sums severally set against our respective names, being Dividend No. —.

Nos.	*Names.*	*No. of Shares.*	*Amount.*	*Date.*	*Signatures.*	*Residence.*
				1889.		
1	Adams, T.....	19	57	Oct. 1	T. Adams.....	Roxbury.
2	Brown, Walter	30	90	Oct. 12	Walter Brown.....	Taunton.
3	Crossman, Jno.	5	15	Nov. 15	John Crossman.....	Washington.
4	Lyon, Robert..	15	45	Nov. 1	Robert Lyon.....	Dorchester.
5	Morse, Richard	16	48	Dec. 12	James Brown (per order)	Richmond.
6	Nowell, Wm...	12	36	Nov. 15	Wm. Nowell	Urbana.
7	Patterson, Jas.	32	96	Oct. 19	Jas. Patterson	Worcester.
8	Pinkham, Wm.	25	75	Dec. 12	Wm. Pinkham.....	Manchester.
9	Sabin, Frank..	17	51	Dec. 24	John Sabin (per order)..	Boston.
10	Wiley, Chas....	20	60	Oct. 26	Chas. Wiley.....	Chicago.

Form 43.

The semi-annual dividends of our banks are usually made up, declared and advertised a week or two before they are made payable; and there is, therefore, ample time, meanwhile, to write into this book the amounts and rate of the dividend.

The filling in of the names and the number of the shares is work that can be done in advance of the declaration of the dividend. And as this is plain work, that should be done in a most neat and correct manner, it is well to start on it early, so as to take it comfortably and do it properly.

In paying dividends at the counter of the bank, it is, of course, impossible for the Cashier, or his deputies, to know—to identify—all his shareholders, for they are in part a changing throng, owing to the transfers of shares that are all the time going on.

But I am sure that few have any idea how well the experienced bank officers are able to identify a large proportion of the shareholders, and representatives of shareholders, who make these semi-annual calls. It is this remembrance—this identification—which makes the disbursement so easy and safe.

And here is a hint of value: Do not let the Dividend Book lie around too publicly—too free for the inspection of any outsider who may drop into the bank. Any banker will see the grounds for this caution.

In paying out your dividend checks be very careful to give the right persons the right checks; for mistakes of this kind cause much bother, and may lead to losses.

After the first rush of paying a dividend is over it is well to read off by the Dividend Book the checks remaining on hand to see that no errors have so far been made; for an early discovery of any mistakes of the character just named will render it much easier to rectify them.

The Cashier must see that his lawful money reserve is well up to the requirements of the law when the bank makes a declaration of a dividend, for all declarations of dividends are forbidden when this is deficient. Within ten days after the declaration of a dividend he must report to the Comptroller of the Currency the amount of the dividend and net earnings in excess of the dividend. This report must be attested by the oath of the President or Cashier.

To-day very many corporations are mailing all their dividends; and the number of companies adopting this mode is constantly increasing. The large railroads were the first to use this mailing method and the banks are rapidly following suit in the matter.

The custom has its advantages, and disadvantages. One of its disadvantages lies in the fact that it deprives the Cashiers of the banks of the pleasure of once in six months seeing the faces of a large proportion of their shareholders.

In carrying out the mailing plan permanent orders for sending dividends by post are filed with the company, specifying that they shall be so sent until otherwise ordered.

In mailing the dividend checks a printed form of letter may be advantageously used.

The following form (see Form 44) is used by the Chicago, Burlington & Quincy Railroad Company. Probably no railroad has a

better system of administering the details of its office affairs than this company:

Chicago, Burlington & Quincy Railroad Co.

ASSISTANT TREASURER'S OFFICE.

No. 49 SEARS BUILDING.

Boston, December 15, 1890.

As requested in a permanent order on file in this office, I inclose herein my Check to order, on the Merchants' National Bank of this city, for the amount of Dividend of Two Dollars ($2.00) per share, payable this day on Stock as of record November 21, 1890.

Yours truly,

E. E. PRATT, Assistant Treasurer.

N. B.—Notice of any desired change of address must be sent me AT LEAST TEN DAYS before the Dividend is payable. E. E. P.

Form 44.

CHAPTER XI.

THE STOCK—ITS OWNERSHIP AND TRANSFER.

The National Bank Act in its present form requires that the shares of a National bank shall always be of a par value of one hundred dollars.

But Section 5154 of the United States Revised Statutes provides that the shares of any bank organized under State law which may become a National bank may continue to be for the same amount as they were before the conversion. This is the statute under which, for illustration, the Old Boston National Bank, of Massachusetts, has until recently kept its shares at a par value of $50 and the Massachusetts National Bank at a par of $250.

The majority of the old State banks which had, previous to their reorganization, their par values at over or under the $100, which is so universally the standard value, ranged themselves on the $100 line when they reorganized by scaling up or down as their previous situation might demand.

The old State Bank, of Boston, had, for instance, a share par of $60 at the time of its reorganization, which par they changed to that of $100 at the new start under the National law.

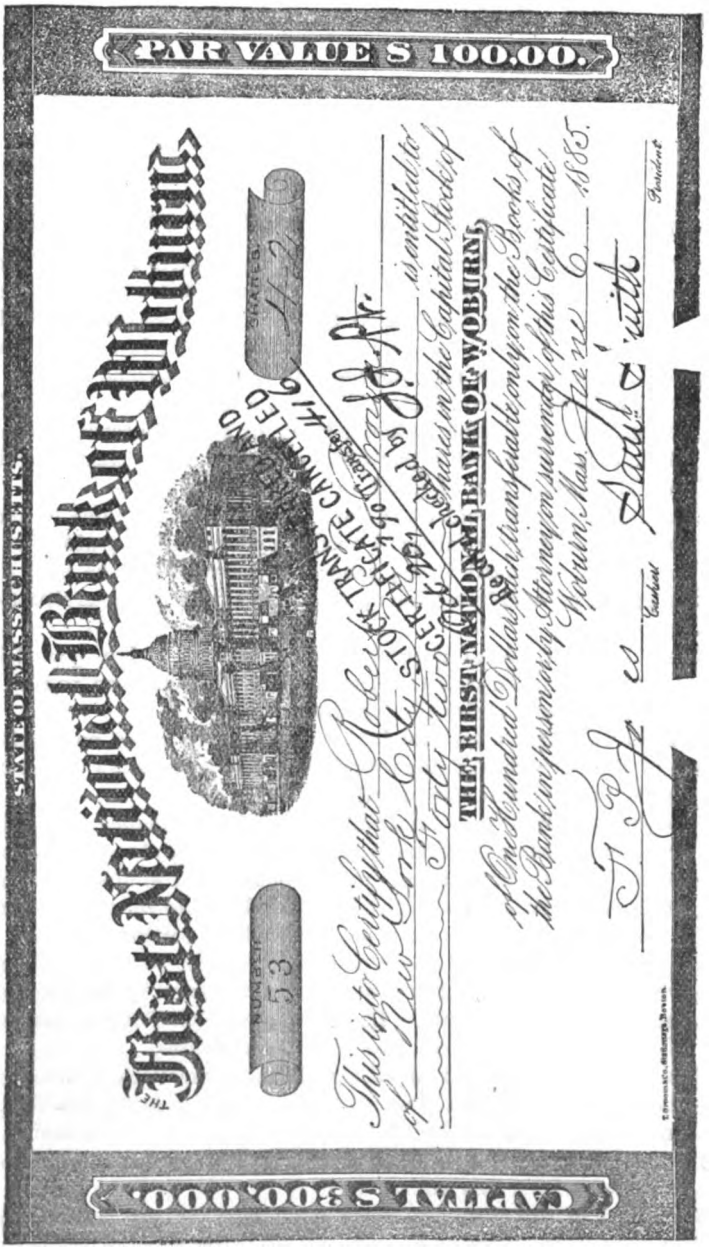
It is so universal a custom in this country to make corporation shares of the par value of the round $100 that it is rather better for the banks to follow this way of rating.

Shareholders, writers of financial articles and of financial statistics, in the way of reports of dividends, scales of earnings, etc., are, by such a uniform arrangement, saved much trouble, and enabled to make their tables and statements much simpler and clearer for their readers.

All the stock of the bank is represented by certificates, each of which is filled out in the name of a stockholder, stating that he is the owner of a certain number of shares, and is signed by the President and the Cashier of the bank. The form given (see Form 45 on page 180) is practically that of all bank stock certificates.

The issuing of these certificates, and their cancellation when they have become void through transfer of the shares they represented, is a business demanding the exercise of the extremest caution and care, and I give on page 182 a form of record book which will be of great help in systematizing this work.

The pages of this form (see Form 46 on page 182) are actual copies taken bodily from a book which has been in use in an orderly National bank, the only change made being an insertion of fictitious names in


PAR VALUE $ 100.00.
STATE OF MASSACHUSETTS.
THE First National Bank of Woburn.
NUMBER 53
SHARES 12
This is to Certify that Robert Cook
of New York City
Forty two Shares on the Capital Stock of
THE FIRST NATIONAL BANK OF WOBURN,
of One Hundred Dollars each transferable only on the Books of
the Bank in person or by Attorney on surrender of this Certificate
Woburn, Mass. June 6 1885.
Cashier
President
CAPITAL $ 300,000.

Form 45.

place of real ones, which might not be pleased to see themselves used publicly. The model presented is of so clear a character as to need little letter-press explanation.

The transfer officer enters upon the left side of this book every cancelled certificate at the time it is withdrawn by a transfer. On the right he records a full description of every new certificate issued.

At times, but probably not often, in a large bank making many transfers, the footings of the two sides of this book will balance.

Generally the record of certificates issued will be less in amount than that of certificates cancelled, for the reason that shares have been transferred to parties who are not ready to take out the new certificates. This unreadiness generally arises from the fact that they are proposing to buy more of the stock, and prefer to wait and take out one certificate covering their entire purchase. This difference in the two columns is carried along on a memorandum, kept on a separate sheet, or on a page at the back of the book, which memorandum shows what certificates are ready to be made out, and issued, when called for by their owners.

In using this book, the transferring officer takes it, with every certificate to be issued, to the President, whose signature is required to make the certificate complete; and, when the President affixes his signature to a certificate, he checks it off on the record.

The President does not sign an issue until it has been previously signed by the Cashier; for the signature of this latter officer is his guarantee that it is issued correctly upon transfers that have been duly made. A final use of the book is made when the President has checked off by its record all cancelled certificates.

In issuing certificates of shares the utmost care must be taken to fill them out absolutely correctly in every point. Write the names of the parties to whom they are issued fully, and never indulge in initials in place of the first Christian names, or in the use of pet household names, where ladies are the holders, placing, for instance, Susie for Susan, Bessie for Elizabeth, etc., etc.

I do not think it best, either, to insert the place of the shareholder's residence in the body of the certificates. Certificates live long. Residences are often changed.

In issuing stock certificates to trustees, executors, or administrators some description of the trust or the names of the parties or estates for whom executors are acting should always be inserted in the certificate.

For illustration, no certificate should read in this way: "Robert Smith, Trustee, is the proprietor of ten shares in this bank;" it should read, "Robert Smith, Trustee under the will of James Smith, is the proprietor of ten shares in this bank."

An executor receiving a certificate should find it reading, not simply William Robinson, Executor, but William Robinson, Executor of the Estate of ———.

And not only in the stock accounts, but in opening deposit or other

Form 46.

Certificates Cancelled.				Certificates Issued.			
No.	Date.	No. of Shares.	Names.	No.	Date.	No. of Shares.	Names.
	Forward....	719			Forward....	667	
389	June 15, 1865..	40	E. W. Mann.....	1196	Dec. 18, 1865..	2	Cynthia Morse.
802	" " ..	4	Louise Blaney.....	1197	" " " ..	21	George A. Reynolds.
615	" " ..	8	Mrs. Mary Drown.....	1198	" " " ..	2	Walter F. Reynolds.
939	" " ..	2	Mrs. Martha T. Richards..	1199	" 20, " ..	20	J. Brown and others, Tr's.
(Part) 238	" " ..	1	Chas. Fowle.....	1200	Jan'y 4, 1866..	3	Robert Moody.
1203	" " ..	20	J. E. Smith & Bro.....	1201	" " " ..	27	Mrs. Clara Chapin.
376	" " ..	11	Milton J. Brown.....	1202	" " " ..	00	Cancelled unissued.
544	" " ..	29	Walter Webster, Trustee,...	1203	" " " ..	00	" "
1013	Oct. 10, 1865..	16	Wm. Chapman.....	1204	" 8, " ..	1	Eliza B. Wilder.
716	June 15, 1865..	3	Eunice Stone.....	1205	" 9, " ..	20	R. L. Kettell, Trustee.
607	" " ..	8	Mrs. Mary Richardson.....	1206	" 10, " ..	29	Walter Webster.
1206	June 10, 1866..	29	Joseph Wales.....	1207	" 11, " ..	2	Henry C. Tolman
(Part) 1175	Nov. 29, 1865..	5	F. A. Loring.....	1208	" " " ..	10	John A. Lovering.
962	June 15, 1865..	10	Robert Simonds.....	1209	" 12, " ..	1	Alex. Wentworth, Trustee
585	" " ..	2	James Greenfield.....	1210	" 15, " ..	8	George A. Kimball
				1211	" " " ..	8	Wm. C. Kimball
				1212	" " " ..	3	Frederick Eaton.
				1213	" 18, " ..	8	Maurice Kidder.
				1214	" 23, " ..	16	Anna & Lizzie Pease.
				1215	" " " ..	10	Mary T. Skinner.
		907				858	

accounts with trustees, executors and administrators, mention should always be made of the parties or estates thus represented.

In former times it was quite a common practice to issue certificates and to open accounts without making the supplementary specifications I have here recommended. Points made by recent legal decisions, as well as the knowledge of abuses that have crept in under this practice of not naming the estates and parties acted for, have led to the very general adoption of the custom.

One of the abuses, or rather irregularities, in vogue in times when anybody was permitted to take out certificates from banks or to open accounts with them in the simple form of "trustee" without any statement of the character of the trust was this: Individuals would, for various reasons, give in their names in the transactions in question as trustees when they were not really trustees for anybody or anything — often doing this simply for the purpose of making some division of property of which they were themselves the owners or for the purpose of concealing the ownership of money. A serious complication arising out of this method was the difficulty of moving the trust at the decease of the party who had thus fictitiously written himself as serving in the capacity of trustee.

In delivering to the new holder certificates of shares it is always very desirable that they should be passed over direct to the owner, or his duly authorized representative, and a receipt for the same taken upon the margin or stub of the stock certificate book. The next best course is to send the certificate to the owner by express, and affix the receipt obtained from him in this way to the margin named.

Banks have a justifiable reluctance to send certificates of shares by mail, though they are often requested by owners so to do, since the loss of an original certificate is often a source of danger, and always a source of a deal of trouble.

If transmission is made by mail only the registered mail should be used; for, under the methods of the registered system, the valuables thus traveling are put into pouches in the presence of witnesses, are transmitted under specially prepared locks, and are delivered to owners in person on their signing a receipt for them. But it should always be remembered, in considering the value of the registered mail system, that the Government assumes no responsibility for carriage of registered mail matter beyond the exercise of due diligence and maintenance of the stated routine safeguards.

In cancelling the old—the retired—certificates it is well to draw across their face emphatic ink-lines of cancellation and to cut from them a portion of their signatures. On these retired certificates entries should be made showing the date of their transfer and the page upon the transfer book recording it. These are little points, but there is a right way and a wrong way to do everything. The right way to cancel a signature of a stock certificate by cutting it is not to cut it entirely

out but to cut clearly into it, so that the voucher shall show positively that it has been signed even after the cutting has been made. It may become, in some instances, a matter of no little moment to be able to show that a given certificate was once duly signed, though it has long been withdrawn and cancelled.

The form of certificate which we have given (see Form 45 on page 180) is represented as cancelled, and with a stamped record of its transfer upon its face. It will be noticed that the signatures have been annulled, as we have advised, in such a manner as to leave them in a condition to be easily recognized. The stamp which has been affixed is a very useful form. It quite readily explains itself:

STOCK TRANSFERRED AND
CERTIFICATE CANCELLED
Oct. 20, '90. Transfer *416.*

Record checked by *S. S., Pres.*

The initials standing after the words "record checked by" are those of the President of the bank, who, under the system of retiring certificates which we have recommended, makes a final supervision of their withdrawal and cancellation.

TRANSFERRING THE STOCK.

The transfer officer must first of all have the old certificate surrendered into his hands. Then comes the question of the identity of the person who presents it for transfer and who claims to be the stockholder named in the certificate.

The mere possession of a certificate—the simple fact that a stranger has it in his hand—does not warrant the transfer officer in making a transfer without an identification of the holder; for, in case it should afterwards prove that the certificate had been stolen by the bearer, the bank making the transfer, without taking precautions to require an identification, would have reason to regret its careless action.

What may be termed an indirect identification may sometimes be secured by a comparison of signatures.

The certificate holder, who may, perhaps, only represent the stockholder through a power of attorney executed by the real owner of the certificate, may refer the transfer clerk of the bank to signatures on its dividend book as verification of his identity, or the identity of the signatures on his power of attorney.

But positive identifications are much better than those based upon apparent similarity of signatures. And the greater experience a bank officer has with this matter of signature-making the less willing is he to place reliance upon these corroborations by signatures.

If the person is known or becomes known to the bank, and his papers are correct, he is allowed to sign the form of transfer on the transfer book and the bank is then ready to fill out and issue a certifi-

cate to the new owner. The Stock Ledger will be posted from the transfer book and the record be thus completed.

We have so far supposed a simple case where all was clear and easily seen to be correct, but the variety of forms of ownership of stock result in many questions which have to be settled when transfers are wanted; and in many cases transfer clerks feel great uncertainty whether they are doing just right or are taking risks which they ought not to take.

Late decisions, notably that of Loring *vs.* Brodie and the Merchants' Bank of Boston, by which the Merchants' Bank has lost a large amount of money, and the rulings of Judge Aldrich, in the case of the Reading Savings Bank *vs.* The Metropolitan National Bank, of Boston, have added to the confusion of the situation and to the anxiety of the transfer officers of corporations.

We will look at some of these questions, and our statements shall be based upon decisions posted to the present moment of writing and safe to follow until some judge jumps over the fence and makes a new departure in the business necessary.

First, the powers of attorney which are so common an accompaniment to the certificate.

Be sure, if possible, that the power is not a forgery.

A bank in a leading city not long ago was victimized by a plausible scoundrel, who presented himself to the Cashier, holding in his hands a certificate of shares which he had stolen, accompanied by a power of attorney which he had forged, signature of witnesses and all, and requested a transfer which was unsuspectingly made by one of the most experienced Cashiers, whose bank, in suffering the loss which followed, can reflect with satisfaction upon the fact that the rascal has since been transferred to State prison.

A witness to a power is not a legal or a business necessity, but it is sometimes a very satisfactory feature. Then, if the power is not one of the regular printed forms, the clerk will see that it is properly worded and really conveys the desired authority. An examination of the dates, not only of powers of attorney but of probate certificates and similar instruments, is always in order.

I have known instances where transfers have been made under documents of this sort which had become valueless by various kinds of natural deaths. Powers of recent date are generally desirable, and, in some instances indispensable.

Let us next consider the duties and responsibilities which are to be met when making transfers of stock held in a fiduciary capacity, or when the deceased holder is represented by administrators or executors.

It is from errors or negligence in such transfers that trouble has generally come.

In transferring shares standing in the name of a trustee examine carefully into his powers at the fountain head, and be very careful

that the trustee does not leave the channels to which he may have been confined by the instrument which gives him his authority. See that he makes no transfer not in harmony with the common law or statute law governing action of trustees; and every bank Cashier should be a good lawyer, as far as these premises are concerned, or else have a good lawyer at his elbow.

An administrator is an official appointed by the Probate Court and it is in the regular line of his duties to transfer any shares belonging to the estate which he is settling. It is only necessary for the corporation in which the transfer is to be made to demand of the administrator the probate certificate of his appointment, and to judge whether its date is sufficiently recent to give reasonable assurance that it has not since been revoked. Letters of administration are always sufficient evidence of an administrator's authority to make transfers.

And executors stand in nearly the same position. Some corporations take the ground that it is not safe to allow the executors to make transfers without making an examination of the will. But recent decisions sustain the practice of those transfer agents who take the position that, in making transfers for executors, it is only necessary to see the probate certificate of the executor's appointment.

An executor always has the right, of course, to sell and transfer property to pay debts of the estate in his charge. Where circumstances render it improbable that a sale is necessary for payment of debts or legacies, or that the transfer requested is a proper one the bank would not be justified in allowing it until it had consulted the will or was otherwise properly informed as to the circumstances.

In the matter of transfers by guardians, it is safe to say that all that is necessary is that the corporation making the transfer shall have good proof that the parties representing themselves as guardians are really so. And, having probate proof of that fact, persons dealing with them in good faith will be protected. By virtue of their office, executors, administrators and guardians have extensive discretionary powers in managing personal property entrusted to them.

A PROBATE EXPERIENCE.

I had been duly shown the probate certificate, and the original certificate of stock was surrendered. Knowing well the parties to the proposed transfer, I had no hesitation in transferring the stock, which stood in the name of a dead shareholder, to the name given me by the executor of the will of the deceased owner. Everything in the case seemed clear and in regular red-tape form. Six months after, I was notified by the executor who had made the transfer in question that everything had gone wrong in the matter—that a will of later date than the one under which he had innocently moved as executor had been discovered, probated by the Court, and was the will now duly in force. The same executor was named in both wills; yet, as this executor wrote, the transfer I had made was null and void, having

been made without due authority. But in this case it fortunately happened that the new will was so nearly like the one which had been incorrectly probated that the executor of the new testament found it perfectly easy to guarantee and confirm the first transfer. Had there been radical differences in the two wills the situation might have been embarrassing.

Points of great interest and importance are the outcome of just such cases. Common and statute law require that wills shall be presented for probate within a certain named reasonable time, and duly advertised notice is given to all concerned to show reasons, if any exist, why the wills that are offered should not be accepted and allowed a probate. When these forms are gone through with, probate allowed, and certificates of same granted, the banks readily proceed to act under such certificates. The allowance of probate to any will that may afterwards turn up is a matter that is left discretionary with the Judge of Probate. It is not to be supposed that the Probate Court grants papers on a second will, except where the situation that might result from such a reopening would be unembarrassing; for the neglect to present the right—the last—will at proper time and place should embarrass and entail loss upon the party guilty of neglect, and not upon the innocent.

It may be safely stated that a bank is justified in making transfers under probate papers that are of due form, though it may transpire, as in the case I have named, that the papers may be annulled and new ones issued.

There is, of course, no recourse under such circumstances to the Probate Court. It cannot be sued for damages—or rather, if sued, nothing can be recovered from it.

That Probate Courts may make errors is proved by other cases as interesting as the one I have just described. Letters of administration were in one case that has come under my observation granted upon the estate of a person supposed to be dead. Under these letters a deposit in a savings bank was drawn out and paid to heirs. The party thus administered upon afterwards "turned up" and demanded his money from the Court. A suit was the result. Final verdict against the bank. It had to pay the deposit to the living owner, having recourse only to the original recipients of the property, who happened to be irresponsible.

ESTATES OF NON-RESIDENTS.

I have found that many corporations seem to be entirely unaware of the existence of any legal objections to the making of transfers upon foreign probate certificates, and have never hesitated at all over transfers of this character. Others who are aware of the legal objections consider the usual risks of such transfers so slight that they are willing to overlook them—to take the responsibility of waiving the irregularity.

In some of the New England States, where the shares belong to the estates of deceased parties who have been residents of other States,

transfers can be regularly made without taking out letters of administration in the State where the bank is located.

There are two ways of procedure to safely go through transfers of this character.

Thus, in Massachusetts, a Statute was passed on April 22, 1880, providing that any Probate Court in that State might license a foreign executor or administrator to transfer or sell any shares in any corporation in the county where the said Court was located without taking out any regular probate papers in Massachusetts. This law provided that the license in question should be issued under certain restrictions. Among them were these:

1. No person resident in Massachusetts, interested as Creditor or likewise, must object to the granting of such license or appear to be prejudiced thereby.

2. No license shall be granted to any foreign Executor or Administrator until after the expiration of six months from the death of his testator or intestate.

3. It must also appear that there is no Executor, Administrator, Trustee or guardian appointed in Massachusetts, authorized to sell, transfer or convey or receive such shares. See Chapter 142, Section 3, Public Statutes of Massachusetts.

In a conversation which I have had with a Massachusetts Judge of Probate, relative to this law, I have learned from him that some advertising is necessary, and that a few weeks' time is needed to carry out these probate advertising requirements, after which a license will be issued in the following form (see Form 47):

COMMONWEALTH OF MASSACHUSETTS.

COUNTY OF SUFFOLK PROBATE COURT, *ss.:*

I, John Doe, Register of the Probate Court in and for said County of Suffolk, hereby certify that, at a Probate Court holden at Boston in and for said County on the 27th day of May, in the year of our Lord one thousand eight hundred and *ninety*.....*Arthur H. White*.....appointed by the Probate Court for the County of Kennebec, in the State of Maine, Executor of the will of..... *Margaret Oliver*.....late of *Waterville*, in said State of Maine, deceased, and duly qualified and acting as such Executor, was licensed to sell, transfer and convey—or to receive or otherwise dispose of—thirty shares of capital stock of the First National Bank, personal property which he is entitled to as such executor.

I also certify that it appears by the records and files of said Court that said license is now in full force.

In witness whereof I have hereunto set my hand and the seal of said Court this.....*twenty-seventh day of May*..... in the year of our Lord one thousand eight hundred and *ninety*.

JOHN DOE, Register.

Form 47.

The expenses of the process are small—the total cost being not over five or ten dollars.

Even this slight expense, and short delay, might be viewed by some foreign administrators and executors as so objectionable as to lead them to choose the second way and furnish a bond of indemnity, securing the bank permitting the transfer from loss on account of the imformality permitted. Such a bond would be similar in form to that

which I give in the case of lost certificates except in its recital of the differing circumstances.

A TREASURER'S TRANSFER.

The Kingston Savings Bank held shares in the Eleventh National Bank, of New York, which it had sold and wished to transfer. Their broker in New York presented himself at the Eleventh National Bank with the certificates of the sold shares and a power of attorney signed by the Treasurer of the Savings bank, and duly witnessed. Accompanying the power and the certificate was a copy of a vote stating that at a meeting of the Board of Investment of the Savings bank the Treasurer was authorized to sell and transfer the shares in question. All these papers presented calling for a transfer were in the Treasurer's handwriting, entirely unsupported by any other names, seals or anything else of a substantiative character. The Eleventh National Bank rightly declined to make the transfer under these circumstances, saying the whole thing savored too much of the one-man power of doing business.

The things needed in such cases are a duly sealed and witnessed copy of a vote of the Board of Directors or Investment Committee of the bank, showing the Treasurer has full authority to make the transfer.

When the delegation of the power has been made by an Investment Committee the signatures of a majority of the committee should be affixed to their vote of authorization.

Some bankers take the ground that a copy of Directors' votes or by-laws, showing the power of the Investment Committee, should also be furnished the transferring bank. But it is more generally held that the power of sale and transfer inheres in the Investment Committees of Boards of Direction.

Where the authorization to sell and transfer emanates directly from the Board of Directors, a copy of the special or general vote of this authorization, signed by the clerk, sealed and witnessed, and accompanied by an approval of the President of the Board, is the most desirable form of paper that can be presented to a transferring bank.

UNSETTLED ESTATES AS HOLDERS OF BANK SHARES.

There are some States where executors, administrators, guardians and trustees under a will are required, by statute, to state and settle accounts within a limited time—say one or two years. But this sort of statute limitation of the time of closing up the administration of an estate is in this country the exception rather than the rule. As a general thing the matter in question is left in about this way: As long as the debts are paid, and all the legatees choose to keep the property of the estate undivided, it is held that there is no legal, moral, or what may be termed business, obligation to close up the affairs of the estate of a deceased person.

Hence, on the share lists of many banks may be found the names of parties now dead who have been shareholders. Their property

has passed into the hands of executors and administrators, but these representatives of the dead stockholders have not transferred the stock to the heirs and assigns. There seemed to be no particular necessity for doing this as long as they could collect dividends and pass them over to the proper parties and the bank or the successors to the shares did not press them to make the transfers.

There are various reasons why it is not well to move along in this careless and indefinite way; and if transfers of the character named are delayed embarrassing circumstances are apt to arise. Many such cases have occurred. The parties whose duty it is to administer may themselves pass away, and then the situation becomes complicated. The continuance year after year of collecting dividends under administrators' and executors' orders on the shares of parties deceased is an irregular practice, and one that banks should not permit. This habit of delaying the work of making the proper transfers causes difficulty when the bank wishes to reach its individual shareholders for the purpose of reorganizing, liquidating, etc.

It may be set down as common law that an administrator cannot be compelled to distribute the estate left in his hands until at least a year has elapsed since he assumed his duties.

Yet, as the law providing for the settlement of estates of deceased persons expects and demands that such settlements shall be attended to within a reasonable time, it follows that after a reasonable time for settlement has passed, without bringing along any signs of such a culmination, legatees may force the administrators to hurry up matters by appeals to courts and judges.

Jurisdiction of administration is vested in courts of both general and limited jurisdiction.

The practical result of all this, as far as the transfer and division of bank shares belonging to estates is concerned is, in a great majority of cases, as follows: Executors, Administrators, etc., who are prompt in their business habits, and who have a fondness for closing up trust matters just as soon as they can with justice to all concerned, transfer and distribute the bank shares belonging to the estate they have in hand just as soon as they can judiciously do so. Others, who are slow movers, and who have to do with legatees who are in no hurry—who have no wish for a division of the estate—will let bank shares hang along year after year in the names of the parties deceased. I have known instances where shares thus situated have remained untransferred by administrators for thirty and forty years. But banks should not knowingly permit such a way of management; and Cashiers are recommended to keep a close watch of their share lists, with a view of pressing upon slow executors the necessity of making the changes in the holding names of shares belonging to estates which they have been deputed to settle. This watchfulness can be exercised and made effective at the time of collection of dividends. A few enquiries and

suggestions then made will often serve as effectual reminders and lead to an immediate attention to the matter.

TRANSFERRING SHARES TO DEAD MEN.

If the cases with which the preceeding section has dealt may be termed objectionable what shall be said of this title; and yet parties who are executors or administrators of deceased shareholders often present themselves at banks with share and probate certificates asking for transfers of the following character: They have perhaps made a sale or in some other way prepared themselves for a transfer of a portion of the stock upon which they are administering, but wish a new certificate for the balance in the name of the deceased holder, generally for the purpose of holding this balance, say, until they can sell the shares or make some other legitimate transfer of them. Although the issue of this new certificate for the balance is not in spirit a new issue of stock, it has, nevertheless, on its face this appearance; and to make such an issue in the name of a dead person is a course that cannot be recommended. The only proper way in such a case is for the representatives of the estate—the executors or administrators—to make a direct transfer of all the stock, transferring the sold shares to their purchasers and the remaining shares to themselves as executors.

Regarding this last class of transfers it should be remembered that it is always better to transfer to and issue certificates in the name of the executors or administrators than to transfer to the estate of ———, not naming the representatives of the estate. It is often questioned whether a bank has a right to demand that executors and administrators shall go through the form of making a transfer when they surrender old certificates of a deceased shareholder and take out new ones in their own names as representatives of the estate, because it is claimed that all that is necessary in such cases is that the old certificates shall be surrendered and a demand for new ones made by the administrators on the simple exhibition of probate proof that they are the legal representatives of the deceased shareholder. But it seems clear that a bank should not cancel old certificates and issue fresh ones in a new form without having behind such a retirement and reissue the most direct evidence and record that the action has been duly authorized and demanded. And what better form of proof of and support for such action can be furnished than that supplied by a formal act of transfer upon the books of the bank?

EXTEMPORIZED TRUSTS.

Many parties are in the habit of making deposits in banks and trust companies and taking out certificates of share-holdings in their own names as trustees where no actual trusteeship has any legal existence. Investments so placed rest easy enough as long as the parties who locate them in this manner survive, are able to take care of them

themselves, and do not wish to move them. I have already briefly referred to the difficulties which may result. Let me illustrate more fully: Mr. Amos Smith buys a hundred shares in the Rhodes National Bank with his own money and for himself. But he takes the whim that he will have the bank transfer it to himself as trustee—trustee without any affix, or trustee for some name which he presents, the said trustee-form being an innocent fiction concocted to suit his convenience. In the course of time Mr. Smith passes away, leaving in the hands of his heirs the certificate in question. How shall the bank of its issue proceed in case of a request for its transfer? Obliged by decisions of law to require a sight of the powers resting in any trusteeship before it can act in these trustee transfers, it asks for a satisfactory proof that the trustee in question had a right to transfer and sell—in fact, demands to know what his precise powers were under his trusteeship. This enquiry is met by the response that no trusteeship actually existed—that it was a purely extemporized affair. The bank in such a case as this will refuse to transfer unless under an indemnity bond covering all the risks of the irregularity of the demanded transfer.

LOST CERTIFICATES.

Still another lady figures in a lost stock story. She owned twenty shares of stock in the bank, for which she held the usual certificate made out in her own name. She wished to transfer a portion of this stock for the purpose of selling it, but, on looking for the certificate, preparatory to visiting the bank to make the desired transfer, it could not be found, though a long and weary search was made for it. She was confident that she had long ago placed it, as was her custom, in what she thought was the safest place in the house, but what that safe place was she could not recall. She finally came to the bank, bringing along her husband, and both united in a request that a new certificate be issued in place of the lost one. Banks are always reluctant to give out these duplicates unless all hope of finding the originals has disappeared; besides, as explained elsewhere, there are in such issues formalities to be gone through with in the preparation of bonds which are very troublesome both to the applicant and the bank. While I was hesitating over the matter, I suggested that further time be taken to make a more vigorous search for the lost voucher, because I had experience with many cases where such a search had been successful under similar circumstances. The lady and her husband went away sorrowful; but they promised to hunt further. Not long after they returned bearing the long-lost certificate, which the lady said had been found in a favorite safe deposit place of her own invention—in the bottom of a family trunk under a false bottom made by a newspaper. She had looked in the trunk several times, but had not before looked under the open newspaper at the bottom.

The instances where parties owning shares lose or mislay their certificates are not very infrequent; and, as I have indicated, when

such unfortunates present themselves to a bank asking for an issue of a new certificate to themselves or for a transfer of the stock to others to whom they may have sold it, they are told that if it is absolutely impossible for them to produce the old certificate a transfer will be granted them or an issue of a new certificate to themselves will be allowed if they will furnish the bank with a satisfactory bond guaranteeing the bank from any loss which may come from the presentation of the original certificate.

Here is a concise form (see Form 48), for a bond of this character, being an exact copy of one that has done actual service in a bank in a case where a certificate had been lost by fire:

KNOW ALL MEN BY THESE PRESENTS:

That We, ... *G. Alfred Holmes*, ... of ..... *South Dedham*, ... in the County of Norfolk, and State of Massachusetts, as principal, and ..... *P. G. Harrison*, ... of said Norfolk County, and State as aforesaid, are holden, and stand firmly bound and obliged, unto the First National Bank of Worcester, a corporation organized under the laws of the United States of America, in the full and just sum of One Thousand Dollars, to be paid unto the said First National Bank, its successors or assigns, to which payment well and truly to be made we bind ourselves, our Heirs, Executors, and Administrators firmly by these presents.

Sealed with our Seals.

The condition of this obligation is such, That, Whereas on the ..... *fourth day of March, A. D., 1890*, ... said bank issued to said ..... *G. Alfred Holmes* ..... a certificate of ..... *five* ..... shares, being certificate numbered ..... *2007*, ... which said certificate has been stolen, lost, or destroyed; and, whereas the said bank has agreed to issue a new certificate, or certificates, of said five shares, to such persons as the said ..... *G. Alfred Holmes* ..... shall direct in place of that stolen, lost, or destroyed.

Now, therefore, if the said certificate, number ..... *2007*, ... shall be found, and in consequence thereof, or from any cause therewith connected, the said bank shall suffer loss resulting from the issuing of said certificates, then the above bounden parties of the first part will indemnify and save harmless the said bank from all loss and injury so suffered and sustained.

COMMONWEALTH OF MASSACHUSETTS, NORFOLK, *ss.*, April 18. 1890.

There personally appeared the above named ..... *G. Alfred Holmes* ..... and ..... *P. G. Harrison*, ... and acknowledged the foregoing instrument to be ..... *their* ..... free act, before me.

Form 48.

SHAREHOLDERS WHO CHANGE THEIR NAMES.

Shareholders should notify the bank in which they are owners of the change which has taken place. They should also go to the bank in person, or by attorney, with their certificates in hand, and make a transfer of their stock to the new name they have adopted.

Such cases are not so unusual as might be supposed, for changes in name to which I am referring are those which take place when a

lady holding shares in her own name and right takes a new name by marriage. Banks do not always promptly detect these changes in name, though they might generally do so if they watched carefully the signatures to their dividend book and the dividend orders. When they do observe these changes they ought to ask the parties changed to bring in their old certificates, make a transfer, and take out a new certificate in the new name. Transfers of this sort are made in this way: Mary White that was—the Mary White in the old certificate—should sign and transfer thus, "Mary White Jones, formerly Mary White," and she should make the transfer to her present self, Mary White Jones, the bank, as it makes the move, assuring itself, of course, that the two names are of one and the same person.

I have right in mind a recent case which is of interest and clearly exhibits the proper steps to be taken.

Miss Delia Morse held ten shares of bank stock in her maiden name, and held in her own hands the certificate of the same. A gentleman came to the bank with this certificate, holding also a power of attorney for the transfer of the certificate, signed Delia Morse. The power was filled with an authorization to transfer these ten shares to Mrs. Delia M. Brown. Miss Delia Morse had by marriage become Mrs. Delia Morse Brown, and so she wished to have the stock placed in her new name. The question was at once raised by the Transfer Clerk of the bank as to whether or not the power of attorney was properly signed. This question took an unusual aspect from the curious fact that Mrs. Delia Morse Brown, who appeared upon the power of attorney in her maiden name, had been married but a few days, and had signed the power the day before her marriage. The bank decided, and correctly, that the power could not be received by them in that shape, and that it must be signed "Mrs. Delia Morse Brown, formerly Miss Delia Morse." The delay of the party holding the power to use it until the lady had changed her name rendered it imperatively necessary that this unused power should also have its signature changed. When it was presented there was no longer in existence any such name as the Miss Delia Morse of the certificate, and the obsolete name could not be recognized by the bank as the proper signature of the present living owner of the stock.

It is so clearly established that a married lady making a transfer of stock standing in her maiden name must sign her married name, adding the statement, "formerly Miss ———," that no intelligent bankers hesitate over the point. In the case just quoted, the peculiar fact, that the lady who was transferring to herself had signed the power of attorney before she had changed her name, made the situation novel and somewhat complicated.

While I am talking of lady shareholders, I may say that until a comparatively recent date many of the laws of this country relative to the rights and duties of women in matters of banking have been very

burdensome to them. Here is a single illustration of this point, drawn from Massachusetts banking experience, in the days when a married woman holding bank shares in her own right and name could not transfer them until she had first obtained the approval of her husband.

She came to the transfer desk of the bank with her share certificate —a certificate of twenty shares standing in her own name, which was stock that had been a maiden inheritance. She was a highly intelligent woman, of the first respectability, and known at the bank. She asked that she might be allowed to make a transfer of the shares, as she wished to turn them into money. The Transfer Clerk was obliged to ask her if she had a husband—a question which seemed an unwelcome surprise to her. After politely enquiring why she was thus interrogated, and receiving a full explanation of the situation, which amounted to a flat refusal to make the transfer unless the approval of the husband was obtained, the lady went away sorrowfully, and in time returned with a husband whose appearance and habits were such as rendered him remarkably unpresentable. He was an intemperate, low, stupid man, and a burden to his family, yet the law demanded that he should be brought to the bank and give his approving signature to the transfer, though he and his signature were of little account elsewhere.

CHAPTER XII.

THE BANK'S CIRCULATION.

Every National bank ought to keep an accurate and detailed record of all the new circulating notes it receives from the Comptroller of the Currency—all that are retired at Washington as unfit for circulation, and all that have been redeemed by the department and returned to the bank as fit for re-issue. And this circulation record should not only be kept so as to show the separate and aggregate circulation transactions which I have just mentioned, but it should also show at a glance the amount of each transaction in each denomination of bills the bank has had outstanding, as well as those on hand in the printing department at Washington.

On page 197 is a model of a Circulation Book (see Form 49) the original of which is in use in a large bank, and the page of circulation transactions here shown records actual movements. This form will need a little study; but, when examined by any bank clerk, it will, I think, prove itself to be useful and concise.

A current careful study of the tables of issues and retirements of bills of the various sizes which can be made in this book will show readily what bills circulate the best—are kept out the longest. The manager who has facts of this character well in hand is by them guided to a conclusion as to what proportion of the different denominations of bills at his command shall be ordered from the printer and scattered as circulation. Many of our best bank managers understand the value of the studies we have described, and profit by them accordingly.

The mention of this matter of keeping out circulation must remind many a banker of curious reminiscences relative to the circulating business under the old-time State system of banking. In those State-bank days the most spasmodic and often costly endeavors were made to scatter the small bank notes far and wide. Many of our active business men will well remember the great reputation the banks of Hartford had for vigor and skill in keeping out and widely scattering the enormous circulation they were carrying in the days of the glory and strength of the Suffolk Bank system. At that time, bills came quickly home by the way of the great New England central redemption agent in State street, if extraordinary shrewdness was not shown in scattering them where they would do the issuing bank the most good by keeping out of the clutches of the old Suffolk.

Manufacturers, hotel-keepers, and all sorts of consumers of small

Circulation Record

Form 49.

1890 Comptroller of the Currency.	CR.	5s	10s	20s	50s	100s	DR. Incomplete Cur'y at Washington.	CR.
May 3 amounts b/f forw'd	500,000	190,440	194,270	81,640	15,450	18,200	**FIVES**	
" 7 Nat'l Bank notes b/d (42 sheets)	6,500	1,150	1,700	600	550	200	Bal of order of 1890 7 25 No 12,750	3,600
	493,500						May 10 Su No 12,800	50,000
" 7 Acid bills fit for circ.	2,300	650	870	300	900			
	495,800	189,290	192,570	81,040				
" 9 " " new	12,200	3,600	720	480				
	500,000	192,890	193,290	81,520	14,900	18,000	**TENS**	
" 26 Fry Redemption (5 sheets)	9,800	1,320	2,290	1,240	950		Bal of order of 1890 7 25 No 9,600	720
	490,200						May 10 Su No 10,600	30,000
" 23 Acid bills fit for circ.	11,000	1,300	1,500	920	450	300		
	479,200		191,000	80,280				
" 27 " " new	5,800		3,480	2,320				
	500,000	190,970	194,480	82,600	13,950	18,000	**TWENTIES**	
June 1 Fry Redemption (4 sheets)	8,000	990	1,530	980	700	400	Bal of order of 1890 7 25 No 9,600	11,800
	492,000						May 10 Su No 10,600	20,000
" 12 Acid bills fit for circ.	3,440	810	790	520	300			
	496,440	189,980			13,250	17,600	**FIFTIES**	
" 16 " " new	4,600	1,600			1,000	2,000	Bal of order of Oct 31 93 No 500	3,400
	500,000	191,580	192,950	81,620	14,250	19,600		
" 30 Fry Redemption (8 sheets)	11,000	3,120	2,730	1,400	950	200		
	489,000						**HUNDREDS**	
" 30 Acid bills fit for circ.	2,600	1,010	800	620	300		Bal of order of Oct 31 93 No 500	6,800
	491,600	188,460	190,230	80,320				
July 2 " " new	8,400	1,000	2,640	1,760				
	500,000	192,460	192,860	81,980	13,300	19,600		

notes, were then given quite long loans, without interest, upon the simple condition that they should take pay in the small notes, and agree to pay them out only in small lots to persons who would scatter them widely.

Banks discounting under such bargains as these would often place an ear mark on the bills—a date and initial, for instance—which should serve as a detective in the work of watching to see whether or not the borrower lived up to his contract in the matter of giving the bills a good send-off and a long life. I remember well that it was not infrequently the case that these agreements would be conveniently forgotten, and into the Suffolk, in a huge, uncut package, would come five or ten thousand small notes, all of some one bank, and which had been loaned upon the circulation conditions we have described, only to come home when the ink was scarcely dry upon the note which had been given for them.

Borrowers who were detected by the ear marks we have named in these failures to carry out their contracts were seldom given an opportunity to renew them.

I remember one curious incident connected with this business of forcing a circulation which happened during the year the war of the rebellion broke out. The now defunct White Mountain Bank of Lancaster, N. H., loaned a cotton buyer several thousand dollars, with the understanding that he should take the small notes of the bank to the far South and scatter them in purchases of cotton. In accordance with this agreement the borrower took himself and his White Mountain bills to the southern part of Texas, where both had the ill-luck to be captured by the rebels, who threw the speculator into prison, and, disgusted because the bills were State bills and not the ever-welcome Greenbacks, angrily destroyed upon the spot the whole lot of money.

STOLEN NOTES.

Too great care can not be taken by bankers in the handling of the sheets of their incomplete circulation. When they are duly signed, cut and turned into the Paying-Teller's cash, they will, in one sense of the phrase, take care of themselves. But while they are in the process of being turned from printed sheets into paper money they need very careful watching. The Cashier, in receiving them from Washington, should promptly see that the sheets are counted, should immediately send back his receipt for them, keep them carefully in charge till signed, and, when signed, at once cover them into the Teller's cash. If they are sent out of the bank to be completed with printed signatures, and cut and trimmed, an officer of the bank should go with them and superintend their completion and return to the bank.

Many unsigned bills have, first and last, been lost, stolen, or otherwise mysteriously disappeared at some stage between their issue by the department at Washington and time of their proposed issue at the banks.

Presidents and Cashiers have had these incomplete bills snatched from their desks by thieves, and they have, somehow, been spirited out of the hands of common carriers. Being bright and genuine in face and feature, rogues have "completed" them by affixing good-looking signatures, and set them afloat at the expense of honest circulators of paper money; for these lame bills travel just as well as the most sound ones.

REDEMPTION OF MUTILATED NATIONAL BANK BILLS.

The Treasury Department has established rules for the redemption of mutilated National bank-notes, and these rules have from time to time been changed in many points. They are sent in circular form to all the National banks, and in this way have been constantly kept before them, since the establishment of the National banking system. It cannot be positively asserted that these Treasury redemption rules are binding on the banks, but as a general thing the banks have accepted them as their guide, and the bill-holding public have the power to keep the banks up to these rules, since, in case of their refusal to do as well by them in redeeming mutilated notes, they can appeal to the Treasury Redemption Bureau by sending them to Washington for redemption.

Many banks move along without any particular regard to Treasury redemption rules. But, as long as these rules are the only ones they are supposed to be amenable to in this matter, they should be uniformly accepted and acted upon.

Carelessness on the part of the banks in this regard grows out of the fact that they reason that, as the Government is to get all the profits from the lost and worn out circulation, they need take little interest in the treatment of their worn and mutilated notes.

REDEEMING FRAGMENTS OF BILLS.

The custom of the National banks, which they have looked upon as one fully authorized by the Banking Department at Washington, is to redeem at full-face value all fragments of their notes which are accompanied by a sworn affidavit, attested by the Justice of the Peace, that the missing portions are destroyed. From the fact that the Government will allow full value where the bank has, in cases of mutilations and partial destruction, redeemed at full value, and that the National banks make nothing out of the lost bill item, the banks are not inclined to be very cautious in this matter of redeeming the class of notes referred to. Their carelessness should not be encouraged or approved. The affidavits in question should be carefully scrutinized. It is easy enough for rogues to manufacture them for fraudulent purposes and to get up fictitious ones, the fictitious notarial attestations and seals having every appearance of the genuine article. Before a bank redeems a fragment of one of its issue which is presented accompanied by an affidavit, it should endeavor to thoroughly satisfy

itself that the affidavit is genuine and that the party making the same is reliable.

Since fragments of bank notes will, under some circumstances, be redeemed, it follows that any portion of a bill may seem, in the eyes of some people, to be quite like money and of real cash value. I remember an amusing illustration of this point: Our bank had to cancel, at one time, a large amount of bills that were unfit for circulation. This was before the establishment of the present method of Washington central redemption and destruction. Our practice then was to cut out the signatures of the bills. These we threw into the waste-paper baskets by the quart. Sometime after a large cutting of the character described, the police of a neighboring town came upon a great quantity of the cut-off-signatures carefully stacked away among the rafters of a stable, where they had evidently been placed for safe hiding by some rogue who had abstracted them from the bank waste-paper, thinking them of some money value. The purloiners of these scraps were never discovered—were, in fact, never hunted for—for the stuff lugged off was, of course, of no value. Yet there was something so unsatisfactory in this idea that valuable signatures—valuable in their proper places—were, if not burned when cut off, liable to be stolen and preserved in the way we have described, that this astonished bank afterwards did what all banks should do under such circumstances—burned all the signatures it detached from its bank notes.

LOST BANK NOTES.

Whenever a National bank closes up business it pays into the Treasury of the United States, in legal-tenders, the full amount of money the United States has advanced upon the Government bonds—advanced in the shape of National bank unsigned notes—and the Treasury then surrenders to the bank the United States bonds deposited as security for circulation and fully assumes all the responsibility for the redemption of the bank's entire outstanding circulation.

In the end the Treasury pockets all the money not called for—no insignificant sum—since the experience of the past shows that, with banks of long standing, a great many bills fail to return to their parents. Under the old State system of banking this item of profits all went into the pockets of the liquidating institution.

But, under the State banking system, the banks had to pay for the manufacture of their circulating notes—the paper, the engraving and printing. All this expense is now assumed by the United States.

The banks pay the cost of running the Redemption Bureau, but they pay nothing for the incomplete currency—the unsigned notes which were furnished them to do business with at the start.

OVER-ISSUES OF NATIONAL BANK NOTES.

There has been made public within the last ten years at least one instance where National bills printed from genuine plates have in

some mysterious way been surreptitiously and fraudulently issued from the banking department of the United States Treasury—issued, of course, with signatures manufactured to order, and either imitations of the autographs which should have been attached or haphazard names put on at random in the places where the genuine signature should have been affixed.

In the tremendous volume of business in circulating money which has been transacted under the National banking system between the Treasury Department and banks since the National bank circulation commenced, footing up many hundred million dollars, there may have been over-issues from genuine plates that were not discovered.

There is another phase regarding National bank circulation which takes on an aspect of an interesting and curious character when carefully considered.

The point I have in my recollection may be easily illustrated by an imaginary case.

Suppose, for instance, that a bank has outstanding a regularly authorized and duly recorded circulation of $500,000. It gives up this circulation by withdrawing its bonds and depositing in their place with the United States Treasurer $500,000 in lawful money, which relieves the bank from all further responsibility to redeem the notes, and places it upon the United States Treasury Department. In time the entire $500,000 deposit is entirely absorbed in redeeming the notes, and still more bills of the same issue come in for redemption. Such a development would prove one of two things. Either fraudulently-issued bills of that bank have been redeemed and destroyed or the notes in excess of its legitimate issue which are now being presented are the counterfeits of bills issued from genuine plates and completed with forged signatures. If the bills are of the last-named character, and can clearly be proved to be so, the way out of the dilemma is short and easy—the bills will be condemned and thrown back upon their unfortunate owners. But, if they are genuine bills, what shall be done with them? That is the question. Their presentation after the redemption fund of this bank is exhausted shows conclusively that fraudulent bills purporting to be of that bank have been redeemed and destroyed. This destruction has complicated the situation. Of the $500,000 that have been redeemed and destroyed some have been good and some bad. But no traces of their existence and character remain. The good and bad have all been paid for, and no recourse can be had to anybody.

The question now arises, how are the genuine bills which remain outstanding to be paid for? They are in honest hands and are good notes.

Who is to pay for them?

In the grand circulation-settling day that is to come some time or another it is to be trusted that the Government will have to the credit of profit and loss a fund—the outcome of profit on outstanding bank

notes lost and destroyed—which shall be large enough to meet any such contingencies as the one imagined.

THE REDEMPTION BUREAU.

This is a department of the United States Treasury devoted to the work of redeeming, in lawful money, the notes of the National banks. Every National bank is required to keep with the United States Treasury at all times a redemption fund equal to 5 per cent. of its circulation. As the inflowing redemption-seeking notes of a National bank trench upon this 5 per cent. fund the bank is notified of the deficit and must make it up at once. Any individual or bank can obtain lawful money on demand at this Redemption Bureau in exchange for National notes if they present them in sums of one thousand dollars or any multiple of that sum.

When National banks send to the Redemption Bureau National bank bills for redemption in lawful money they do not pay expressage on the National bank bills, but they do pay for the transportation of the lawful money sent back when returns of this character are ordered. They order returns in lawful money when they are in need of small, new Treasury notes. When not in need of these they ask the United States Treasurer to send in payment for the redemptions drafts on the nearest Sub-Treasurer, and in collecting such drafts are obliged to take such denominations of legal-tenders as the Sub-Treasurers see fit to give them—or even to accept silver if the Sub-Treasurers choose to pay in standard silver dollars.

The Redemption Bureau at Washington is the old Suffolk Bank system revised and improved. (See David R. Whitney's excellent history of the Suffolk Bank).

The expenses of this National bureau are assessed upon the National banks, bearing upon each in direct proportion to the amount of its circulation redeemed. Bills for the same are sent to the banks once a year. Items of this bill are charges for transportation, cost of assorting, salaries, printing and binding, stationery and contingent expenses.

The redemption story of a National bank-note, after it reaches the Redemption Bureau at Washington, can be quickly told. When received they are at once assorted by the names of the issuing banks —mainly by women—and this work is greatly facilitated by the fact that in addition to the name the distinctive number of each bank is shown upon the face of its notes. After this assorting the worn and mutilated bills which have become through hard service unfit for circulation are destroyed, and bills capable of further circulating service are forwarded by express to the banks whose name they bear.

New currency in sheets is at once forwarded to banks to take the place of worn out notes which have been redeemed and destroyed.

DESTRUCTION OF NOTES.

The Redemption Bureau now boils the bank-notes whose usefulness is at an end into pulp by the use of steam and huge cylinders. It

formerly burned them. The pulp result is used to make a brown paper which passes into packing use in grocers' stores. In a visit to the Redemption Bureau I was handed a brick made from the bank bill pulp of the department—a solid, shapely brick of a gray hue containing the substance of I know not how many hundreds of thousands of paper dollars. The brick now rests in the museum of the Young Mens' Christian Union, of Boston.

This description of the modern way of destroying unfit-for-circulation bank-notes reminds us of some old-time experiences with bank bill destruction when fire was used to end their career. In those old days, under a State system of banking, it was the habit of our banks to burn in the open grates of their Directors' rooms their returned worn and mutilated bills. These bills were allowed to accumulate in the cash of the Paying-Teller until he had on his hands enough of them to make it an object to summon a committee of the Board of Directors to make a business of burning them. At such burnings a brisk coal fire was made in the grate named, and the bills, having previously been recorded by their numbers, marks and amounts in the books of the bank, were thrown into the fire and consumed in the presence of this burning committee. Persons who have not had experience in this sort of business have little idea of how difficult and tedious a thing it is to burn up entirely a bundle of soiled old bank-notes. On the occasions we are describing a deal of stirring of the fire and the bills was necessary, and considerable time was required to complete the destruction. In at least one instance bank bills, whole and partially consumed, were carried by a strong chimney draft out to the street where they were picked up by the astonished news boys and other fortunate finders of the waifs. This remarkable method of issuing circulation was afterwards checked by covering the throats of the chimneys with a wire netting when bills were to be burned in open fires. I remember an instance where a New England bank was in the habit of having its old bills burned in the forge of a blacksmith's shop. This worked well enough until it was discovered that quantities of notes, supposed to have been consumed in that shop, appeared again in circulation, showing that the blacksmiths who had assisted in the work had by sleight-of-hand abstracted the condemned notes while burning them.

CHAPTER XIII.

THE MAIL AND THE TELEGRAPH.

In bank Book-keeping, and in the general inside clerical and recording work of a bank, while a legible, fair handwriting seems absolutely indispensable, there is little call for the exercise of the art of English composition—little demand for a talent for the construction of sentences or the art of expression. In fact, constant employment in the narrow, routine work in question tends rather to the contraction than to the growth and expansion of those faculties which are called into use in rhetorical composition.

Day after day, and year after year, ordinary banking-clerk work is but the task of writing, over and over again, a very limited vocabulary of words and phrases. As an inevitable effect, if such a result is not carefully hedged against by resolute study outside the bank, the bank clerk is apt to lose the power to express himself in an elegant, clear and concise manner when general subjects outside of the rut in which he has so long been moving demand his attention. This defect in his education and mental discipline is apt to be made clearly evident when he is called upon to give attention to the general correspondence of a bank.

And in this sort of work there are requisites even more important than the ability to write an elegant hand. A lack of directness and conciseness, general clumsiness of expression, and, worse than all, bad grammar and bad spelling, have been known to characterize the letters of bank officers of good general intelligence who have done for years neat and faithful clerical work in various departments of their bank.

Young men often leave high schools of the period, from which they have graduated with honor, without a decent education in the matter of such a staple accomplishment as letter-writing. And these young men may for years discharge passably well the duties belonging to most departments of bank work without being called upon to show their ignorance by doing anything in the way of business and general correspondence.

One of the standard rules in a properly managed bank is to answer just as promptly as practicable—on the day of receipt, if possible—all letters that demand a reply. When these replies are more than a simple acknowledgment of a letter received, with enclosures as stated, that "more" should be in style concise, clear, very courteous under all circumstances, and, beyond all things, legible in date, body and

signature, and in matter strictly and closely confined to the businesr in hand and demanding attention.

In the class of letter-writing we have in view there should not be one word or figure more or less than is positively demanded for the clearest presentation of the matter in hand.

It is sometimes the case that letters of this purely business character which I am describing are written in such a concise—such a short-hand and doubly compressed style—as to be open to the charge of being too compact, curt and laconic to answer the ends for which they were written. Brevity in business letters is very desirable; but that brevity which sacrifices clearness and proper explicitness is as bad, or worse, than a leaning to diffuseness.

Every business man has, at one time or another, been badgered by letters of the type I have just been describing.

Let me introduce an actual letter I have received from a gentleman applying for a bank situation, which is a pointed illustration of the way business men often slip into the habit of putting things in business correspondence in an almost amusingly graphic and condensed style: Here is the genuine, live, original letter, proper names eliminated:

THE —— BANK OF ——,
Chicago, 24 July, 1884.

The Cashr.
—— Natl Bank,
Boston.

Dear Sir: I am Teller in the —— ——, they have closed, want a position, 8 yrs at cash, 28 yrs. old, married, very fast and correct, any room for me on your staff? Present salary in Chicago $1,000.

Yours respectfully,
JOHN JONES.

In the matter of stationery used, and in all the printing and engraving brought into requisition in getting up books, letter-heads, checks, etc., the banks have an opportunity for the exhibition of good taste and general neatness and propriety of styles, and they ought to improve it.

In selecting paper for use in correspondence they should choose a good article; and, where printed headings are called for, they should be well executed. It is poor economy for a bank to be careless and slovenly in this matter. And the same remarks apply to every class of stationery equipments called into service in a bank. Its checks and drafts should be of a neat and attractive type; its notices, circulars, etc., in service in the collection and messengers' departments should be executed in good form, the most careful attention being paid in their preparation to the matter of their English, their punctuation, and the paper and printing called into request in their make-up. Banks are looked to as a sort of standard in these matters. General business men expect them to be very neat, correct and appropriate in these details.

Few things are a more accurate test of the way the internal direction of the details of a bank are carried on than the exhibition it makes of itself to outsiders in the direction we have been describing.

The use of postal cards in banking correspondence is quite general,

yet there are banks as well as merchants who have never used them, and say they never will under any circumstances. The reduction of postage to two cents for a letter of ordinary size has strengthened these enemies of the postal card in their opposition to them.

The particular objection to the use of these cards in banking correspondence is that it is extremely desirable in letter writing that no words, beyond a mere acknowledgment of letters received, shall be mailed from a bank without being put through the copy-press. In well-regulated banks the standing orders are to have everything copied. When postal cards are in regular use in a bank, writing of all sorts, and often words of no little importance, are apt to be hastily written on them and mailed without retention of any copy in the bank.

While I am on this subject of stationery I may mention an envelope sent me for examination and which has come into quite general use.

I can remember very well when the use of envelopes, particularly on important business letters, was highly deprecated by the best business men, and many such were very slow to adopt the innovation. They rightly valued very highly the preservation of the post-marks on every letter, for they had known of cases where their loss had caused a deal of difficulty, and where the post-marks on a letter would have settled very important points in the court room.

It was often the habit of prudent bankers, etc., when the use of letter envelopes began to be general, to carefully remove and preserve all the envelopes of the business letters they received. Now such are invariably torn at once from the letters and flung into waste baskets.

The point of the invention on this envelope of which I speak lies in the fact that it secures the final preservation of the envelope by making it a part (a fixed attachment) of the letter itself.

The rapid increase in the use of the common envelope which has sprung up within the time of many a banker who reads this volume is of curious interest. They originally came from Paris. In Europe at one time they were only used as an outer covering for regularly folded and sealed letters to preserve the latter when they were sent out by the hands of private messengers and servants. About fifty years ago the first envelopes used in Boston were made for Mr. Allyne Otis by Mr. N. D. Cotton, a venerable stationer still living, on patterns brought from Paris. Mr. Cotton got them up by hand and Mr. Otis and his friends used them after the Paris fashion. From this small beginning the envelope has spread to its present enormous use in the United States.

It is possible that the serious objections to the present common envelope may in time lead to its being thrown aside for a substitute that will not be open to objection, or the envelope system may go entirely out of fashion and folded and sealed letters in some improved form come into general use.

The letter-copying machine should be in constant use in every active bank. Every letter sent out that contains anything beyond a

simple acknowledgment should be copied. It is difficult to overestimate the value of having such a complete *fac simile* record of what has been sent out of the bank.

If one would understand something of the worth of this copying system, let him try to imagine himself running a large bank without its aid, calling to his mind the anxieties and troubles, losses and complications which would be sure to arise where there was not ever present an opportunity to turn to a well kept letter-book for a complete and perfect record of all that had been written in the bank and sent away, never again to be seen by the writer.

Banks should supply themselves with the latest and best copying-presses, and adopt the last improvements in the way of applications to be used in running one of these presses. I have not the space nor the wish to describe what is the best kind of press, or the best way of using it, since any good stationer will show the reader at once the latest improvements that have been made in copying supplies, and also, if need be, show him how to use them.

Having then the right tools, the copy-book should be rightly kept.

Every letter should be carefully, legibly and neatly copied. Tissue paper is not very costly. Every separate letter should be given plenty of space. There should be no crowding or clipping of signatures or dates, but each letter should stand out strong and clear; every feature of it, from date to signature, conspicuous. Letter-books can be kept in this way, for I have seen many such.

It is an excellent plan to use, for the printed portions of letters, a copying ink; and there is no difficulty in securing letter blanks so printed that every word of them can be clearly transferred into the machine copy-book.

It is, of course, necessary, in order to keep a neat and useful letter-book, that the original letters should be written properly—as far as the mechanism of the business is concerned. And in this respect they will be more properly prepared if the writer always bears carefully in mind the fact that his letters are not only written to be read, but written for some under-clerk to copy.

Letter-books should be built up on some plain and simple index form, since, without an index, they are robbed of much of their usefulness and convenience.

A RECORD AND ITS USE.

After the copying comes the record, and on page 208 is a form (see Form 50) of a book which answers an excellent purpose as a register of letters sent, letters received, and the dates of their acknowledgements and issue.

The form explains itself quite clearly; but perhaps a note or two regarding it may not be out of place. It will be seen that the entry of a letter received and answered can often be supplemented with the register of one sent, and requiring acknowledgment, without re-writing

the name of the correspondent. This is shown by the first record on the form, where a letter is received from the Mercantile National Bank, and acknowledged, and one also sent to same bank, which must be acknowledged.

The dashes in the place of figures, opposite the names and dates of letters received, indicate that these received letters needed no answer.

LETTER 1890 RECORD

		Received Date	Received Ack'd	Sent Date	Sent Ack'd			Received Date	Received Ack'd	Sent Date	Sent Ack'd
Monday, July 14.						Wednesday, July 16.					
Merc'l Nat.	N. York	12	14	14	15	Merc'l Nat.	N. York	15	16	16	17
1st "	Portland	13	14			Amk'g "	Manch'r	15	"	16	17
Third "	Chicago	11	14	14	16	1st "	Bangor	15	"		
A "	Abington	12	"			Buffalo "	Buffalo	15	16		
1st "	Worcester	12	"	14	15	Merch's "	Kansas City	12	16		
O "	Buffalo	11	14			" "	Lowell	15	"		
A. L. P. & Co.	Fall River	12	14			G. Brosch	N. York	15	16	16	17
Treas'r U. S.	Washington	11	14			1st Nat	Portland	15	16		
Merch's Nat.	Kansas City	10	14			N. Coml.	Albany	15	"		
Amerik'g "	Manchester	12	"	14	15	American N.	Hartford	15	16		
1st "	Bangor			14	15	1st "	Denver			16	20
Merch's "	Lowell			14	15	" "	Lyons			16	17
" "	Chicago			14	16	Merch's "	N. York			16	17
M. "	Mobile			14	18	P "	Taunton			16	17
						Phoenix "	Providence			16	17
Tuesday, July 15.						Home "	Brockton			16	17
Merc'l Nat.	N. York	14	15	15	16	Thursday, July 17					
3rd "	"	14	15								
1st "	Portland	14	15			Merc'l Nat.	N. York	16	17	17	18
P. "	Provincetown	14	"			N. Union	Fall River	16	"		
G "	Gloucester	14	"	15	16	Merch's	Chicago	16	"		
Fr. Co. "	Greenfield	14	"			G "	Gloucester	16	"		
3rd "	Cinn. O	13				1st "	Portland	16	18		
Merch's	Qual. Ut.	14	15			3rd "	N. York	16	18		
Second "	Chicago			15	17	Merch's "	Lowell			17	18
N. Union	Fall River			15	16	Adams "	N. Adams			17	19
L. Alex'r & Co.	N. York			15	16	1st "	Worc'r			17	18
1st Nat.	Pittsburgh			15	17	J. G. & Co.	Montreal			17	19

Form 50.

If a bank is to use any sort of a letter register, one more simple and desirable than this cannot easily be devised. It has many points of value. A glance at this record will show what letters demanding an acknowledgment have not been replied to. The Corresponding Clerk will keep a careful watch of it; and, if delinquents appear upon it, he will look them up at once, for in banking correspondence it is imperatively necessary that prompt answers to all letters of value sent out shall in all cases be forthcoming. If letters have been lost, or have in any way miscarried, it is highly important that an early knowledge of the fact should be in the hands of the bank, so that it may stop payments, issue duplicates, or institute searches in that prompt manner which due diligence in the banking business demands. I believe in the

system of requiring acknowledgments for all letters containing remittances of checks, notes and drafts, as well as those containing more easily negotiable—convertible—contents, such as money, coupons, etc.

There is a growing custom among banks of not demanding answers to letters remitting endorsed checks and the like, but it is not a custom to be commended; and in general terms I may safely say that it is the best plan in the administration of a bank to take as few things for granted as one possibly can, and it is always advisable to receive from all connecting quarters square acknowledgments for all letters sent as well as for all accounts rendered. Banks frequently head their accounts current sent home to banks having open accounts with them with the phrase "if not acknowledged within (say 30 days) it will be taken for granted that this account is correct." The use of this disclaiming heading is well enough, for, in some contingencies, it may be of service. But direct and positive acknowledgments of all accounts rendered in this way should be insisted upon—should be drummed for if not duly returned. In this way lies safety.

And so in the matter of letters with enclosures. Establish the rule of requiring acknowledgments. Do not rely upon the long-delayed and indirect acknowledgment that comes by the way of endorsed checks or is reached by a silence that is taken for a consent. The maintenance of a prompt system of acknowledgments gives an early notice of non-receipt of valuable letters, which information is often of great importance.

We shall, of course, live up to our principles and give prompt answers and acknowledgments ourselves.

In a properly managed bank all letters received which demand a reply are, if practicable, answered the day they are received. Those letters that are not thus promptly replied to are not the ones containing remittances, but are of a special character, and contain enquiries that may take some time to attend to.

In this matter of acknowledging letters, and in the general business of remitting checks in settlement of collections, some of the banks are getting into very careless and unbusiness-like ways, to which attention should here be called.

Many of them have of late years fallen into the very objectionable practice of "answering" letters enclosing checks, drafts, etc., for collection by simply thrusting into the letter received a draft in payment, and returning both to the sender.

A bank which receives a letter ought to answer it, if it needs an answer, and then file it away for preservation. This is a simple and common business rule, and should not be ignored.

I heard an experienced bank manager say on one occasion that many banks were growing so careless in their management of their correspondence that he expected they would soon get into the habit of simply flinging checks into envelopes in making up returns by mail for

collections sent them, and I have in fact known banks to do just that. The practice of acknowledging all letters containing checks has been partially abandoned on the ground that the endorsement of the checks therein, which are made payable to the receivers of the letters, is a sufficient acknowledgment of their receipt. But this can be the case only where the endorsed checks are sent back to the remitter after cancellation and payment, which return is not a general rule.

It seems to me, in these times of cheap postage, the system of general acknowledgment should be revived, and if postal cards have any place in a bank's correspondence this carrying a simple acknowledgment is certainly the safest and least dangerous use for them.

Labor-saving methods in the correspondence which are not unbusinesslike may be adopted; thus banks in the country, in sending their daily remittances by mail, or in any way by letter, to their correspondents in the Clearing-House cities, have, within late years, adopted, in some cases, the plan of helping forward the hard morning clearing work of their city banks by listing the checks enclosed in the letters in question in the following way (see Form 51). All the checks enclosed which are to go into the morning Clearing-House settlement are entered upon a slip of the proper length of which this is simply the heading:

RESERVE NATIONAL BANK
NEW YORK.
Receive for Deposit for Account of
THE FIRST NATIONAL BANK,
Lincoln, Me. 189

Checks.....

Form 51.

Upon the letter itself a record is only made of the gross amount of these checks. Drafts, notes, etc., which may be contained in the letter are recorded upon it separately. This method greatly helps along the Tellers, etc., in the city corresponding bank, and is one which may be recommended for adoption where the situation is of the character I have described.

Mailing the letters is also a matter demanding care; and here comes in a secondary use of our letter register.

The clerk or messenger who actually mails the letters—takes them

to the post-office—should check off by this record all the letters in his hands before mailing them.

The record should be made from the open letter. The checking-off should be done from the directed envelope.

If the mail is large he should have a satchel in which to put the letters.

Before they are mailed he must see that his superior officers have properly sealed and addressed them.

So, also, in handling the letters received. The same care that the Messenger bestows upon the outward mail should be exercised in taking letters from the post-office and bringing them to the bank. He should not let them go out of his hands until they have been delivered to the Cashier or his proper deputy.

Considerable trouble has grown out of the non-observance of these simple precautions.

After the letters are in hand there are still right and wrong ways of handling them.

In opening a batch of letters, cutting off a slight section of the end of the envelope and then removing the letter through the opening made is a good manipulating method, since by this mode of handling the envelope is preserved entire and can be recovered from the waste-paper if there is a call for it.

Every person opening a bank letter containing checks, notes, drafts, etc., should at once see that the letter contains the number of pieces it records, and should mark on the letter the date of its receipt.

Checking-off details, which should be promptly attended to in a large bank by the heads of the various departments to which its contents belong, is a matter requiring a deal of care. The best way of managing this work is for the Cashier who opens the letters to permit them to pass at once, with their entire contents, through the hands of the Teller, Collection Clerks, etc., these officers taking out the contents belonging to their departments and placing upon the letters their initial receipt for the same. The Cashier, or some of his deputies, should afterwards see that all the credits enclosed in the letters have been duly entered upon the books; and, when the letters have thus been entirely discharged, they should be promptly acknowledged and filed away.

The extremest care and the best system are required in the work we are describing; for, through openings in the correspondence departments, losses by carelessness and dishonesty have often entered into banks.

The Cashier in a bank of moderate size attended to his own correspondence, checking off all credits himself before he acknowledged his letters. He could not have had a better system. Yet he had no sooner turned his back upon the Receiving-Teller than that officer, with an eraser, altered his original entries; and in the end,

with the collusion of the Book-keeper, a couple of hundred thousand dollars was stolen from the bank by these two rogues.

Under the best of systems dishonest men in responsible positions can steal and for a while escape detection.

REGISTERING LETTERS.

Under the registered-letter system of our mails the banks are in the habit of registering those letters which contain cash, bonds, coupons and other valuables which are good in the hands of any holder into whose possession they may, either honestly, or dishonestly, fall; but I have noticed in many cases, where bank officers are endeavoring to decide, in absence of instructions, whether or not it is safe and wise to send forward negotiable securities by registered mail, there has been wanting among them any positive information of what the methods and machinery of this registered mail business was—what were the risks and responsibilities of the system. Here is a concise explanation of these last-named points:

Registered mails, in the leading cities, generally close twice a day—morning and evening. Registered letters are delivered by carriers. First, third and fourth-class matter can be registered. First-class matter must be sealed; third and fourth-class matter unsealed. No matter excluded by law from the common mails can be registered. Letters can be registered to domestic or foreign countries. The fee, in either case, is ten cents. All registered letters must show upon their covers the names of the senders.

The way of life of the registered letter is as follows: It is placed in the mail pouch and its sending recorded, and witnessed, by two postal clerks. The locks of the pouches are of a character more complex—more invulnerable—it is supposed than those on the common mail-bag. The registered mail-bag travels in the same way that the lower-priced common mail-bag travels—in the same street and railway van, and is under the same supervision as the unregistered—no more and no less. A receipt for every registered letter is sent by the postmaster at its place of destination to the postmaster sending it out. Every person receiving a registered letter signs a receipt for it, which is returned to the sender.

The Post Office Department assumes no special responsibility for the carriage of the registered letter. No recourse to the Government can be had for the value of lost registered letters unless the loser can prove that the post-office has lost the letter through carelessly violating its own published regulations regarding the manipulations of registered letters, which last thing it would often be difficult for the individual sufferer to do.

With these extra-valuable, or extra-hazardous, letters the alternative would probably be to send by express, which is, of course, much more expensive.

It is an excellent plan to have a bank rule that securities that are

to be sent away for collection, and which belong to depositors, shall be accompanied by instructions from their owners, when they are taken on for collection, as to whether they shall be sent forward for collection by express or registered mail. The receipt of such definite instructions relieves the bank of responsibility and, in some instances, of expense.

There is another point worth alluding to. If it is a good plan to register letters of the class we have mentioned, why is it not well to go further and register the bulk of the valuable letters which a bank mails? For instance, why should not the interior bank, which daily sends to its corresponding bank in New York a letter containing, it may be, bank checks to the amount of hundreds of thousands of dollars, register such letters? To be sure, these remitted checks are payable to order, and therefore not good in the hands of the wrong holder and not available in dishonest hands unless forgery is resorted to. At the same time a loss of one of these valuable letters, full of negotiable checks and drafts, would cause an immense amount of annoyance and trouble to the losing bank; and, if registering them would ensure their more prompt and safe transmission, why not have it done?

TELEGRAPHIC CORRESPONDENCE.

In practical every-day banking a combination of the mail and the wire is in frequent request, and often works most admirably. The experienced banker is quick to discern where these two agencies may be brought together to work towards a desired end, and can, by the exercise of judgment and skill, often do better service with this double team than with either of them taken separately. Instances illustrating this point must readily come to the mind of any banker who reads these pages.

I find, for instance, that I, in Boston, have in New York a balance of $100,000, and it is exceedingly desirable that it should be brought home to me at the earliest possible moment. I wire to New York at 2 o'clock to-day to remit, and when I reach my desk at 10 o'clock to-morrow morning I find the mail has brought me the $100,000 in Boston checks or the express the same amount in gold or currency.

I have a collection note due in New York to-morrow about whose fate I am anxious. I write to New York to-day to wire me to-morrow advice of its payment or non-payment, and to-morrow I receive the due telegram.

And so I might go on giving specimens of the endless variety of ways in which banks are wiring for answers by mail and mailing for answers by wire.

But let us first note a few practical points. Accuracy to the very letter in telegraphing is something that cannot be assured in practical telegraphy. Both in domestic and under-the-ocean-wiring occasional lapses in letters and parts of words are inevitable. A long practical working experience in this business has convinced me of this fact, and

the most experienced managers of wires have also testified to the correctness of this statement. In acting upon and working under telegrams relative to payments of money, bankers are expected to use good judgment and common sense in translating—making out—the despatches they receive, and often find it wise to overlook slight features of incoherence where the meaning is evidently clear and the variation in names only natural and unimportant. Cable wire work is apt to be more inaccurate than that on short overland lines. Where business of importance hangs by the wires, no undue regard to economy of words should be allowed to militate against the clearness and precision of telegrams.

It seems to me that in the matter of financial correspondence by wire our bankers and brokers are apt to fall into the habit of clipping and condensing too much.

Telegraphing has so far been an expensive business in this country as compared with telegraphing in Europe. In London I found I could, by postal telegraph, send twenty words to any part of the Kingdom for a shilling. The high rate of our lines have taught patrons an economy in words which has sometimes been used at the expense of intelligibility, and the use of cipher codes and coined words in telegraphy has encroached upon the profits of the wire lines to such an extent that some of them have had in serious consideration plans for prohibiting their patrons from using these short-hand methods of telegraphic letter-writing. And in one instance, at least, a line having a monopoly of business in its region has absolutely refused to receive for transmission all messages not made up in plain words—straight English.

In cable work there has always been the most extreme economy of words in making up codes for financial and general market reports. I have observed many instances where a single word has been made to do cable duty for a very minute report of condition of a foreign market for money, stocks or merchandise.

Signatures to cablegrams are charged a word tariff. To avoid even a signature expense, knowing patrons of the cable send their correspondents unsigned messages. A signature in such a case can often be omitted just as well as not, for the character of the telegram reveals to the correspondent its authorship.

To constant and regular users of the cable there is an evident and pressing demand for an improvement which every day becomes more imperative. This is the demand for an international—world-wide—uniformity of currency and language. The world of trade and commerce which is daily becoming more and more closely knit together by the agency of steam, electricity, etc., must in time become even more homogeneous by the adoption of a common language.

All persons having anything to do with telegrams should remember that promptness in handling them—particularly in answering them—is of the first importance. The very word despatch, which has

become synonymous with telegram, indicates the imperativeness which characterizes messages of this character.

In banking, these letters by wire have a peculiarly strong claim for celerity of movement on the part of all parties. Any banker of experience can recall instances where delays in attending to messages by wire have sent notes to protest that would otherwise have been saved from dishonor, allowed insurance policies to lapse, perishable consignments of merchandise to be ruined, and financial embarrassments and distress to be precipitated.

All telegrams sent out by a bank should be carefully copied in letter press, the same as its regular letters. It is even more important, in some respects, that these "grams" should be copied than the mailed letters, since the most important of them are often written and despatched in a haste which renders errors easy.

It is the duty of the Cashier of a bank to receive, open and answer its telegrams. Yet matters should be arranged in every bank to have some person present, if the Cashier is absent, to open and reply to despatches at once. When a bank is nominally closed and in the hands, possibly, of junior officers, they should be carefully instructed to open telegrams addressed to the bank, and see that answers are sent if such are imperative. In the case of very important telegrams it may be necessary for subordinates to take vigorous measures to get them into the hands of Presidents or Cashiers who have left the bank for the day.

The bank was sending a very important despatch to a distant point. It was extremely desirable that the telegram should be made absolutely accurate even to the smallest word. In writing this message upon one of the common blanks of the telegraph line the Corresponding Clerk called the attention of the Cashier to the mass of rules and disclaimers printed upon the margin of the paper, and asked if it would not be well in this instance to have the dispatch repeated.

Without doubt there are many bankers constantly using telegraph blanks who never carefully read and weigh their marginal notices. But there is always to be found upon them the old provision that the telegraph company assumes no responsibility where a message is not repeated, and the enquiry of the clerk brought up the point of its present binding force.

This repeating disclaimer, as well as many other notices upon telegraph blanks, has been overthrown by the Courts. In the early days of telegraphy, when the whole business was a new science, there was reason in a provision that repetition of a message must be demanded where responsibility was to be assumed, but at the present time, when wiring is one of the exact sciences, the telegraph company which undertakes to transact business must have operators and methods and machinery which will do the wiring work of the public with a reasonable degree of accuracy without the employment of such

old-fashioned means as repeating a message. The Courts require the companies to be exact in the transmission of messages, and, as far as the sender is concerned, will not make him repeat his message in order to hold them responsible for its proper transmission.

My own experience has been that if a message comes through in a faulty form, or upon my simple statement that this or that word cannot be what the sender intended, the company has very willingly secured a repetition from the sending office without any expense to either of the parties.

Here is another point of a character which is undoubtedly quite common in the every-day life of banking that might be illustrated by an incident:

The bank held a lot of bonds of the issue of a Western township, which it had been endeavoring to sell through a banker located near the place of issue of the bonds. Failing to make the negotiation in question, it sold them near home, and that ended the matter. Some time after this closing out it received from some unknown party in the West, who had probably heard of the offer of the bonds at the time the bank was endeavoring to sell them, a long and minute telegram, making many inquiries about their character and the terms upon which they would be sold. This telegram was unpaid. It was of no value to the bank receiving it, for, as we have said, the bonds had been closed out, and, being sent to the bank by a stranger about his own business, he should have paid it. Now, what are the rights of a bank under the circumstances, and its only correct course? The bank has a right to receive and read any despatch handed to it, and would not find it safe to do otherwise, yet it is not obliged to pay for any unpaid despatch unless it pleases so to do, provided it returns the same to the Messenger bringing it, saying it is of no value or importance to the bank and that it declines to receive and pay for it. In such a case the telegram is returned to the point from which it has been sent, with orders to collect the cost of the wiring from the sender.

Our telegraph companies, which readily concede to all receivers the right to refuse despatches in the manner and for the reasons we have named, hedge against the complication and the possibility of loss for work done in good faith by making it a rigid rule never to receive and forward an unpaid despatch for an unknown or irresponsible sender. The "*collect*" messages are always taken with the understanding that the sender must pay for them if the sendee refuses to do so.

It is important to remark here that in the course of business it will hardly be safe for bank managers to authorize subordinates to refuse to receive unpaid telegrams which reach the bank out of bank hours when the managers are absent on any suspicion that the bank ought not to pay for them. Very little discretion must be authorized in this matter. The amount to be paid is generally small and the responsibility of refusal is large The clerks had better take and pay for them

and run the risk of their being valueless despatches which should not have been sent unpaid.

CERTIFYING BY WIRE.

The bank received a despatch asking if Robert Livingston's check was good for $3,000, and to answer at once by wire. The situation of the sender presumably was that he stood waiting to take that $3,000 check from Livingston in payment for values he was giving up to him.

How shall the bank upon whom this check and message are drawn use the wires in this case? Its answer must be framed with care. The simple word "yes" and nothing more was sent in reply. It would, as it turned out, have been much better to have sent a more guarded answer.

Trouble came in the following manner: Before the $3,000 check reached the bank for collection the cash which made it "good" when the telegram was replied to had disappeared—had been paid out on other checks of Mr. Livingston's—and Mr. Livingston had failed. The bank was at once sued by the holder of the $3,000 check on the ground that the "yes" dispatch was a *bona fide* certification, and that the bank, having said the check was "good," could be squarely held for its amount. The Court held to the contrary, deciding that when the bank said it was "good" it meant only that it was "good" then, making no promise to set aside its amount to meet the check whenever it should come around, and giving no guarantee that it should be "good" at any future time. This decision is, of course, in accordance with common sense and equity, yet the style of telegraphic reply to the enquiry is not one that can be recommended. In the case referred to it entailed upon the sender an expensive lawsuit and a narrow escape from final loss. The bank should stand upon the rule that a check must never be certified until it is actually presented and charged, and the better plan would be to reply "good at the present time" or "the drawer has that amount to his credit now," or in some hedging way, various forms of which will readily suggest themselves to any banker.

The sender of such a message has no right to ask for a stronger telegram. If he pays money on the strength of it he must do so with the risks resting upon his own shoulders.

Bankers have sometimes attempted to set aside the balance, which has thus been apparently certified by telegraph, without the actual presentation of the check. Such a course would take on an embarrassing aspect were other checks of the same drawer to press for payment before the wired one should come around for the cash. There is no doubt but that the holders of such interim checks could enforce their payment.

CODES AND CIPHERS.

Bankers are almost invariably in the habit of using these in sending despatches relative to transfers of funds and purchase and sale of

securities. In fact, the general run of the wiring business of a bank is of a character involving so much money-value responsibility that very little of it can be safely done in plain English.

From what I have already said it will readily be recognized that the cipher answers a double purpose and serves as a short-hand as well as a useful and safe disguise.

In cable work, for money transfers, and various missions, the cipher is widely used.

Not long ago there was sent to a Boston banker a notice of protest of a London sterling bill which came to him in cipher.

The cipher and code-books upon which such important telegraphing is based should, of course, the same as other valuables, be kept under lock and key by the Cashier.

SENDING MONEY BY TELEGRAPH.

But the most striking advantages of telegraphy, as applied to banking, are shown in the business of making direct transfers of money by telegraph, a method which is daily upon the increase, and a description of which must necessarily occupy an important place in any treatise upon practical banking. The methods and machinery of this business are easily described, for, after all, there is nothing complicated nor obscure in transactions of this character, except we may apply these terms to that mysterious agency which no one understands and which no one attempts to explain—the electricity which really does the work.

Many business people who avail themselves of the telegraph in transmitting funds to points more or less distant are but little acquainted with the exact methods used in making these remittances, yet the process is a simple, every-day one. It can be best explained by describing an actual transaction of this character—by giving a little picture of the business from real life in banking.

So here is an exact account of some payments by wire that in their features happen to illustrate quite fully the most common crooks and turns of the money-by-telegraph business. At any rate the reader who understands all that I here describe of a couple of wire transactions in money will readily comprehend the leading characteristics and methods of this branch of modern banking, and can cipher out the rest of the philosophy and practice of this rapid-transit traffic at his leisure.

A bank in San Francisco keeps an account in Boston. In opening this account it arranged to do a telegraphic money transfer business, and sent a cipher or code-book to be used for that purpose. This cipher book simply contains an index list of words and phrases which are put to what may be termed arbitrary use—that is, the very innocent looking words and sentences thus listed stand for amounts and expressions entirely unlike their individual selves. This cipher code-book contains a translation of its language set off against each word and phrase. The California bank retains a copy of the book. Both banks keep the code-

book in careful custody—under lock and key and at the command only of the officers specially deputed to use it.

THE CODE-BOOK AND WIRES AT WORK.

The man lived in San Francisco. His mother was a poor widow in Boston. She was ill—very ill—and she succeeded in wiring her son to that effect, and asking for money immediately. The son paid $200 into the hands of the San Francisco bank and obtained from that bank what may be termed a $200 telegraphic check on Boston payable to his mother. The San Francisco bank wired the check to its correspondent, and here it is (see Form 52), the cipher words and the proper names being changed in this copy, because it would not be safe to print the original ones. But the words used in the genuine dispatch were fully as incoherent and apparently meaningless:

THE WESTERN UNION TELEGRAPH COMPANY.

No. 1022 ? 15 May 1890.

Dated San Francisco, Cal.

To Fourth Nat Bank,
Boston, Mass.

Quiet clothe Mrs. Mary
Jones friendly oak pine loose.

J. G Robinson, Cash'r

Form 52.

Here is a translation of the despatch, made by consultation with the cipher book:

"Notify and pay Mrs. Mary Jones, 96 Oak street, two hundred dollars."

PAYING A TELEGRAPHIC CHECK.

The Messenger of the bank was sent to the street and number named in the telegram in search of Mrs. Mary Jones, the payee. Extreme care is necessary in doing this wire-transfer business; and so, in the case in question, the Messenger, to make doubly sure he had found the right party, and that the telegram under which he was acting was genuine and correct in all points, had some little talk with the Mrs. Jones he found at the given number, for the purpose of eliciting from her any facts which appeared to corroborate the correctness of the transaction to which she was to be a party.

Any corroboration of the cipher message, no matter what may be its nature, is very desirable.

The whole business of transferring money by wire is considered delicate and critical, and, to avoid risks, the utmost care must be taken in the discharge of all its details. Persons engaging in transac-

tions of this sort are liable to the risks of having their cipher codes stolen and used for fraudulent purposes, and to other very evident dangers.

From the lady he learned that she had a son in San Francisco from whom she was expecting an immediate remittance. It only remained for Mrs. Jones to identify herself—to satisfy the bank that her name was Mary Jones. This having been done she was paid the $200 and her receipt taken. The San Francisco bank was at once advised by mail of the payment. In due time confirmation by mail of the wire check must be received from the San Francisco bank; under a proper system a bank does not consider itself done with the payment until such a confirmation has come. The transaction I have described is a fair specimen of the class of wire payments to which it belongs.

Here is a hasty description of a wire-money transfer of another type, which is also a good illustrative case:

Brown & Co., of Boston, ask me, a Boston bank, to pay Jones & Co., of New York, $100,000 at once by wire. I have no New York cipher. I send this telegram in plain English to my correspondent bank in New York:

——— *National Bank, New York.*

Pay Jones & Co., 10 Wall street, New York, One Hundred Thousand Dollars and charge my account. ——— ———, *Cashier.*

My New York bank dare not take any risk with such a telegram as this. The reasons for their hesitation must be evident to any banker. They are found in the fact that under its present system telegraphy is a very loose business. A person can enter any large telegraph office and send in any name any decent sort of a despatch to anybody. For instance, a boy can go into the office of the Western Union in Boston, and send in my name a despatch to any of my correspondents anywhere, asking the payment to anybody of any sum of money, with a request that the same be charged to my account. No remedy for this state of things has so far been suggested. The difficulty can only be met by setting up some system of identifying senders of messages, which at present seems impracticable.

But, recurring to my New York telegram, requesting in plain English the $100,000 payment in New York—returning to it for illustration of the points in hand—the question at once comes up of how shall its correctness—its genuineness—be proved.

To prove the telegram a despatch can be sent to me, the apparent author of the first despatch, over another line, asking if I have sent such a message. This precaution is often resorted to. It is a measure of prudence, but not one of absolute security, since collusion of rogues may defeat its purpose.

Another solution of the case before us may be reached in this way: The New York bank may make the wire-requested payment by taking collateral for the telegram—that is, it may pay Jones & Co. the

$100,000 on their depositing that amount of good collateral, the same to be held until they receive a mail confirmation of the despatch.

But the difficulties of the case I have here presented show the great advantages of having in use for such a transaction a good cipher code.

AN IMPROMPTU CIPHER.

Bankers and others sometimes call to their aid in emergencies just described an impromptu cipher. There are many varieties of them to use. Any bank, which is in regular daily remitting correspondence with any other bank at some point more or less distant, can extemporize a cipher which shall serve as proof or identification, of its important business telegrams. I have used this method many times quite successfully. Let it send its money-transfer, or other telegram, involving in their recognition and action a money responsibility, in ordinary plain words, adding, as a key to their real origin, this sort of an expression:

"*Smallest check sent you in ours of yesterday, Philadelphia, $5.75.*"

The bank receiving such a telegram turns at once, if it understands this plan, to "ours of yesterday," and if it there finds "Philadelphia, $5.75," it concludes, of course, that the despatch is all right.

I have been amused by instances where I have tried a cipher of this description on banks which had never heard of the method. Such banks have wired back to me that they had received and obeyed my despatch, but did not understand what I meant by my reference to the remittance of yesterday. But the reference, though not directly understood, had evidently served its identifying and proving purpose.

There is, however, a dangerous feature lurking in codes of this type to which particular attention should be drawn. It will be seen at once that a cipher of this character is within the reach of almost any officer of the bank. Any subordinate can, in fact, get up at any time one of these cipher messages. He has only to take the key from the letter copy-book, which is open to the inspection of all the clerks, and with it, if it suits his purpose, can easily commit his bank to almost anything he pleases. For instance, a defaulting officer may send to the bank's correspondent at any point the following message: "Please pay John Jones one hundred thousand dollars and charge same to our account. Smallest item in ours of yesterday, Philadelphia, ten dollars. Signed, R. Smith, Cashier." And if such dispatch was obeyed, as it might be, some confederate of the defaulter could take the money and a trusting bank be to that extent the loser.

This is only one more illustration of the dangers environing the use of the telegraph in business relating to responsible action. Banks cannot be too careful in the matter in question. Those institutions which are very careful about locking up their code-books, and allow them to be opened to but few eyes, have been known to fall into the habit of using ready-made ciphers which were at the command of every man or boy in their bank.

The large telegraph companies have very complete and exact

methods of doing this money-transfer business. It is with them put in charge of an expert and reliable officer termed a Transfer-Clerk. He receives all money to be remitted by wire, writes the transfer order himself, in the company's cipher, and hands the same to an operator who has not the least idea of the character of the message he is sending. This message, after reaching the point of the money-transfer, is repeated back to the sending Transfer-Clerk to guard against all frauds and errors. A standing rule with them is that all transfers not called for within forty-eight hours after the reception at the paying office will be canceled, and the amount, less premium and tolls, refunded to the sender. All applicants for transfers of money have to leave their signatures.

We remark further, in the matter of these transfers, that the volume of this sort of business done in the East is not extremely large. Our bankers, as a general thing, do not care to go into it at all, and what they do consent to do is rather performed as a matter of accommodation than otherwise. But in the far West, particularly in the mining regions, the bankers all advertise their willingness to do this kind of business, and the amount of it transacted by them is very large. When Mr. John Oakhurst, of Roaring Camp, or either of the two men of Sandy Bar, wish to make a remittance to the East, they always go to the Western Union telegraph office or to some banker who uses the wires.

CHAPTER XIV.

EXCHANGE AND LETTER OF CREDIT.

Many persons fail to understand the movements of and dealings in exchange, which are such leading features in practical banking. Sterling exchange appears to some the most difficult thing in the world to clearly understand even in these days of such active international banking. National banks all over the country are placing themselves in a position to draw bills on London. A proper explanation of the money movements of the class we have named ought to make them perfectly easy of comprehension by any person capable of understanding the simplest arithmetical problem. Here is all that need be said in explanation of the sterling exchange business:

The legally set-up par value of a pound sterling is with us $4.86.65. If I am in New York and owe £1,000 to a party residing in London I look about me to see how I can pay the debt in the cheapest way. If I can buy a sight sterling bill on London for the £1,000 at $4.90, or less, I buy the bill and remit it to my London creditor, and that ends the matter. If I cannot buy the bill named without paying more than $4.90 for it, I ship to my creditor in London £1,000 in cash gold, or that value in American coin.

I ought, however, to note here that, if I am banking in sterling exchange to very large amounts, I might, perhaps, be willing to remit gold rather than pay even $4.89.50 for bills. The influence at work to bring me to a decision whether to export the gold or remit the sterling bill is the expense of handling the gold as found in the following bill of costs for shipping gold from New York to London:

Freight—$\frac{1}{8}$ of 1 %. *Insurance*—$\frac{1}{8}$ of 1 %. *Cooperage*—Too small to consider. *Abrasion*—From nothing to $\frac{1}{8}$ of 1 % on $20-pieces; $\frac{1}{8}$ % to $\frac{1}{4}$ % on $10-pieces and $\frac{1}{4}$ % to $\frac{1}{2}$ % on $5-pieces.

If a party in London owes me £1,000, I collect this debt by selling my sight sterling bill on him for the £1,000 if I can get $4.83 for it. If I cannot get at least $4.83 for this bill it is more profitable for me to collect it myself in London, of course through correspondents, and have the gold shipped to me, to be sold here at its market value, unless it should be American coin. The cost of bringing gold from London to New York is the same as from New York to London.

I have made my illustrations show the principle; but, in even so standard an article as gold, the actual demand in the London or the New York money market will affect its value—at least its value for

financial uses—and this value of the moment must be ascertained before making close figures on a large transaction.

The philosophy of movements in domestic exchanges is just the same as that described as underlying the sterling exchange business. A brief explanation of domestic exchange methods may make my descriptions of sterling transactions more easily understood, since the domestic exchange matter is free from that confusing element—a differing currency. In sterling exchange we have to do with a mixture of dollars with sovereigns; in domestic exchange we have a dollar at both ends of the route. Here is an account of a domestic exchange transaction, which is an every-day occurrence with me, that will give a good idea of the whole circle of the domestic exchange business:

I, a bank in Boston, owe a bank in New York $100,000, which must be paid at once. I seek for a check on New York, and, if I can get one without paying more than fifty cents per $1,000 for it, I pay my New York debt by remittance of the New York check. If I cannot buy the $100,000 New York check without paying more than fifty cents per $1,000 for it, I send the New York bank the gold or legal-tenders, for I can do this by paying not over fifty cents per $1,000 for the transportation of this cash to New York. If I have owing me in New York $100,000 which I may collect at once, I draw my check on New York for the same and sell it in Boston, if I can do so at a cost not exceeding fifty cents per $1,000 discount. If I cannot sell this $100,000 New York check without allowing more than fifty cents per $1,000 discount, I send the check to New York, draw the gold or greenbacks, and import the same to Boston. This I can do for fifty cents per $1,000.

It will be observed that the variation in exchange between the two points—that is, the difference between the extreme quotations, which is necessary in order to change the route of the gold or legal-tenders—is just $1, or twice the sum I have assumed to be the cost of its transportation one way. In my sterling figures the same kind of exchange variation existed.

It is easy to perceive, looking at the exchange operations between Boston and New York—looking at them from the standpoint of Boston—that exchange on New York must be low when Boston is selling New York more goods than New York is selling Boston.

When New York exchange is low in Boston we say that it is in our favor—that the balance of trade between the two cities is in favor of Boston. This happens, for illustration, when Boston, which is the centre of the manufacturing interest of New England, is selling heavily of her mill products in New York, and buying lightly there of that city's foreign goods, shares, bonds, etc. At such times gold and legal-tenders flow in large amounts from New York to Boston, moving over by the great express routes. A situation of the domestic exchange market which is the reverse of this will be understood without explanation.

In just the same way exchange on London is low in Boston and

New York when the balance of trade between the United States and England is in our favor. The balance of this trade is in our favor when we are sending England more in value of our produce—wheat, cotton and provisions—than we are importing from England of her manufactured goods—or, I might say, of the silks, woollens and fancy goods of the whole of Europe, for our pay for all is settled through London bankers.

When this is the condition of affairs all our bankers who deal in sterling exchange are ready to sell their bills on London, and there are few buyers, hence low quotations for exchange, and, as in my supposed case of the £1,000 due me in London, the drafts, or the debts, are collected there and the gold is shipped over, so that when London exchange is low here gold comes flowing in upon us from Europe. When, from causes the opposite of those described, we are buying of Europe largely, and sending her little of our wheat and cotton, London exchange is high with us and gold moves Eastward—flows from New York to London. There are, of course, other elements that are influences. When our United States bonds and other American securities market themselves abroad they make, to the extent of their value, exchange in our favor. When Europe gets alarmed over American securities and begins to send them back upon us sterling exchange feels the movement. And it is, of course, a movement not in our favor.

There are several terms relative to sterling exchange which are often heard on 'Change and read in the papers which should be understood:

Bankers' bills of exchange are bills drawn by bankers upon bankers.

Commercial bills are those based upon movements of merchandise, and drawn by merchants.

Documentary bills are those which are accompanied by the bills of lading.

Posted or nominal rates for exchange means the rate daily posted upon the bulletins of the dealers in exchange for the use of the general public.

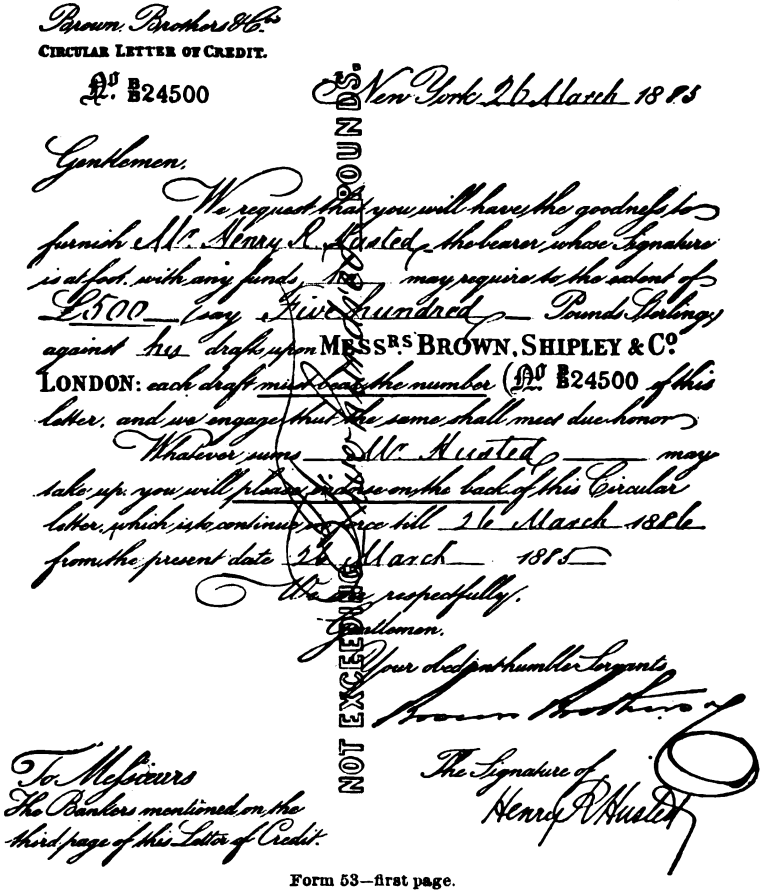
Actual rates are the real terms—the inside terms made to brokers through whom most of the trades are made.

Whatever may be the rates of exchange between domestic points, or between New York, London or Paris, there will always be a demand at both ends of the route for bills of exchange—for checks, drafts and letters of credit payable at the other point. The retail exchange business of the globe will always be transacted by the use of paper credits. It matters not what may be the rates of exchange between New York and Boston, as far as the necessity of a certain supply of checks and bills of exchange for use between these two points is concerned. New York bankers must always be in readiness to draw on Boston for their customers, and Boston must always be able to draw on New York, and New York and Boston banks and bankers must always be able to draw

on London—to draw drafts and to issue letters of credit for travelers for use in Europe. To meet this convenience demand our New York and Boston bankers, when exchange is against them, must ship gold to London, even beyond payments of their debts, and on these gold credits draw for merchants and tourists.

LETTER OF CREDIT AND CIRCULAR NOTE.

Within the last few years there have been introduced very many improvements in the methods and machinery of the traveling credit-


Brown Brothers & Co.

CIRCULAR LETTER OF CREDIT.

No. B24500 New York 26 March 1885

Gentlemen,

We request that you will have the goodness to furnish Mr. Henry R. Hunted, the bearer, whose Signature is at foot, with any funds he may require to the extent of £500 — say Five Hundred — Pounds Sterling, against his draft upon MESSRS. BROWN, SHIPLEY & Co. LONDON: each draft must bear the number (No. B24500) of this letter, and we engage that the same shall meet due honor.

Whatever sums Mr. Hunted may take up, you will please indorse on the back of this Circular Letter, which is to continue in force till 26 March 1886 from the present date 26 March 1885.

We are respectfully,

Gentlemen,

Your obedt. humble Servants

Brown Brothers & Co.

NOT EXCEEDING

To Messieurs
The Bankers mentioned on the third page of this Letter of Credit.

The Signature of
Henry R. Hunted

Form 53—first page.

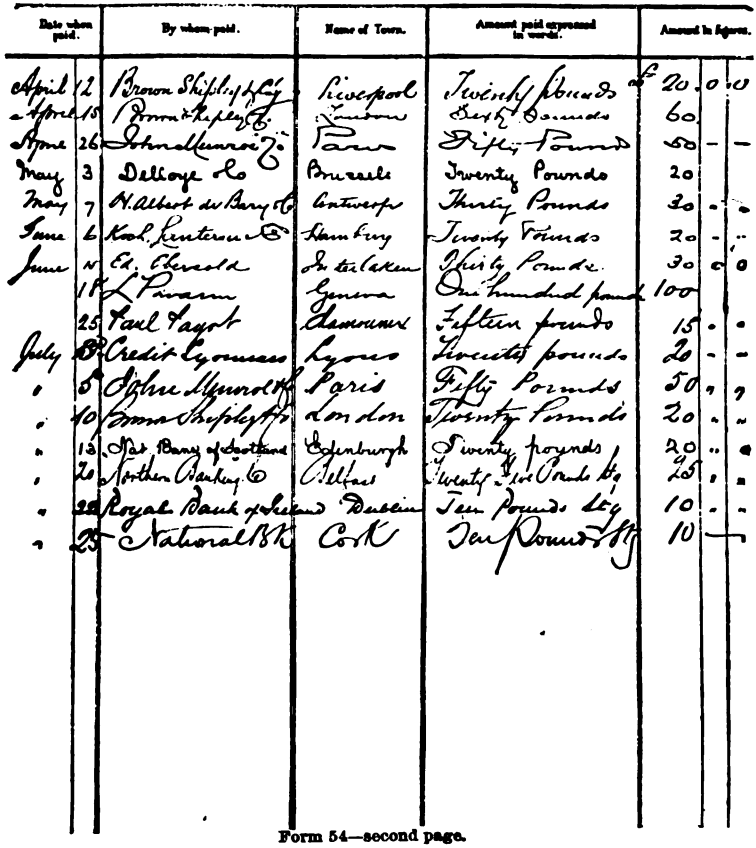
supplying business, and every day competition is bringing new ideas. Leading American houses in the foreign credit line issue drafts in sums to suit on over 600 places in Europe, Asia and Africa. They also furnish blank drafts printed in all the leading languages.

The ordinary Letter of Credit is, however, the leading and usual instrument for the use of travelers in Europe, etc., and has now be-

come such a common feature of banking that a special explanation of the methods of issuing these elastic and indispensable bills of exchange, and also of using them, is certainly in place.

For the better information of the reader, we print a *fac simile* of the first and second pages of a Circular Credit except as to paper, tint, size, etc. (see Forms 53 and 54), which will give a much clearer and better idea of its form and availabilitythan any mere written description.

The first page is the Credit proper, authorizing the various correspondents of the house, who are named on the third and fourth pages (some four hundred in number), or any other banker to whom



Date when paid.		By whom paid.	Name of Town.	Amount paid expressed in words.	Amount in figures.		
April	12	Brown Shipley & Co	Liverpool	Twenty Pounds	£ 20	0	0
April	15	Brown Shipley & Co	London	Sixty Pounds	60		
April	26	John Munroe & Co	Paris	Fifty Pounds	50	—	—
May	3	Delloye & Co	Brussels	Twenty Pounds	20		
May	7	H. Albert de Bary & Co	Antwerp	Thirty Pounds	30	"	"
June	6	Koch, Henterson & Co	Hamburg	Twenty Pounds	20	"	"
June	11	Ed. Oberwald	Interlaken	Thirty Pounds	30	0	0
	18	L. Pavarin	Geneva	One hundred pounds	100		
	25	Paul Pagot	Chamounix	Fifteen pounds	15	"	"
July	13	Credit Lyonnais	Lyons	Twenty pounds	20	"	"
"	5	John Munroe & Co	Paris	Fifty Pounds	50	"	"
"	10	Brown Shipley & Co	London	Twenty Pounds	20	"	"
"	13	Nat. Bank of Scotland	Edinburgh	Twenty pounds	20	"	"
"	20	Northern Banking Co	Belfast	Twenty Five Pounds Sty	25	"	"
"	22	Royal Bank of Ireland	Dublin	Ten Pounds Sty	10	"	"
"	25	National Bk	Cork	Ten Pounds Sty	10	—	

Form 54—second page.

the letter may be presented, to pay the holder of the Credit, whose signature is given on its face, to the extent of £500 sterling.

The second page of the Credit shows how the holder availed himself of the amount, commencing his trip at Liverpool and ending it at Cork, whither he embarked for home.

As stated, there are nearly four hundred names and places upon the

indication list attached to the Credit, covering the entire civilized world, so that, with one of these Credits in his possession, the traveler can journey from place to place and make the entire circuit of the globe, and never have in his pocket gold, silver or paper money more than is necessary to pay his immediate expenses.

Our banks and bankers, who are in this Letter of Credit business, issue them upon the satisfactory introduction and identification of applicants upon terms which are usually of about this character (see Form 55):

A.—Against Cash payment *(for sums of £500, and over), without allowance of interest, but free of commission, at selling rate of exchange for demand bills on London on the day of issue.*

The unused portion of any such Credit will be refunded at purchasing rate of exchange for demand bills at the time of its return.

B.—For a Commission of 1 per cent. upon the amount used, *as follows:*

1.—Against Cash payment *(for sums under £500), without allowance of interest, at selling rate of exchange for demand bills on London on the day of issue.*

The unused portion of any such credit will be refunded, with its proportion of its commission, at purchasing rate of exchange for demand bills at the time of the return.

2.—Against the Deposit *of an approximate amount of cash. Re-drafts will be charged in account at selling rate of exchange for demand bills on the day they are received. On deposits of $2,500, or over, interest will be allowed at 1 per cent. under the current value of money for call loans, but not exceeding 4 per cent. per annum.*

3.—Against satisfactory guarantee *of repayment as drafts appear.*

4.—Against deposit of sound marketable securities. *In the absence of any other provisions for the re-payment of the amount used, the securities will be sold as required to pay sums drawn under the Credit. For making such sales, or for the collection of interest or dividends on such securities, a charge of ¼ per cent. commission will be made.*

These Credits, bearing the signature of the holder, afford a ready means of identification, and can be availed of wherever he may be in sums to meet his requirements. For this purpose the Credits are specially addressed, and the traveler thereby accredited, by an indication list attached, to bankers of the best standing in all parts of the world.

Letters of introduction should, in all cases, bear the signature of the person introduced.

Form 55.

The terms quoted above are those of Messrs. Brown Brothers & Co., of New York, Philadelphia and Boston.

Wherever he may be the Circular Credit of such a house as Brown Brothers & Co. is the "open sesame" to the banker's vault to get the "wherewithal" for his needs. The risk of loss of money is reduced to a minimum. If the Credit should be lost the chance of its being used by any one else is very remote. In an experience of thirty years the writer can only recall one or two instances where the finder, or stealer, of a Circular Credit successfully made use of it. All the safeguards that the experience of these many years has suggested are thrown around the security of these Credits.

The value and convenience of these Credits, as compared with a Bill of Exchange, is in the fact that the holder carries the means of

identification with him, and that he can avail himself of the amount in just the sums needed to meet his requirements.

As stated in the circular above quoted, these Credits are issued against "Cash deposits, or satisfactory guarantee of repayment."

In the first instance the traveler deposits his funds with the banker, getting a credit for an equivalent amount. Upon his return to this country, if there is any unexpended balance of the original amount, it is refunded to him. In the other case, "satisfactory guarantee of repayment," the traveler arranges with his bank, or some one else satisfactory to the banker, to guarantee repayment to the Letter of Credit issuer.

SETTLEMENTS.

If your Credit has been issued *against guarantee of repayment*, as your drafts are paid in London the banker will redraw upon your paymaster in America upon the following form (see Form 56), so that when you return home these statements will afford you particulars of the amounts drawn and paid without necessity for a further statement:

WHEN REMITTING PLEASE BE PARTICULAR TO MENTION THIS NUMBER.

No. 35 | 6

NEW YORK ..... *March 31* ..... *1890.*

Messrs. John Brown & Co., New York.

Dear Sirs:

Our London House having paid the Draft of ..... *Mr. H. R. Husted,* ..... *under Credit No.* ....., *for* ..... *£20, please remit us in settlement thereof as per Statement at foot.*

We are, Yours respectfully,

BROWN BROTHERS & CO.

Statement.

Amount of Draft	*£20*		
Disbursements	*£20*	*@ 4.90*	$ *98* —
Commission	*1 %*		*98*
Interest, etc	*30 days*	*@ 6 %*	*49*
			$ *99.47*

Form 56.

Should your Credit have been issued *against cash deposited*, on your return the banker issuing the Credit will account to you for the undrawn balance in accordance with Article A of the circular.

THE LETTER OF CREDIT IN USE.

When a banker issues a Letter of Credit, the party purchasing it, and who is to use it abroad, places his signature upon a lower corner of the document before he leaves the office of the banker, and writes it in the banker's presence. He also leaves with the drawer of his bill

others of his signatures. We will suppose, for instance, that a party is proposing to travel in Europe, and is buying therefor a Letter of Credit on Barings, London. In such a case he leaves with his American drawing banker two of his signatures, one of which the banker forwards, with the advice of the drawing, to Barings, London, and the other, with advice of the drawing, to the Paris agents of Barings. When the bearer—the payee of the letter—reaches the drawees in London, or their agents in Paris, and asks for a payment on account of it, he signs his name, in presence of the London or Paris drawees, upon a draft for the amount he is collecting; and if, upon comparison of signatures, there seems a satisfactory agreement, the traveler, without any other identification, is paid his money and goes on his way.

The careful reader must see at once that there is a risk attendant upon the identification practice which we have described. What is to prevent a dishonest holder of a lost or stolen Letter of Credit from practicing upon the payee's signature upon the bill in his hands, and thus prepare himself to make, upon demand, when he presents such a bill, a very perfect forgery of this signature of the honest payee.

There is also connected with this customary sole dependence upon the signature identification of a Letter-of-Credit payee a more patent danger. The letters in question are made payable at the agents of the drawers at hundreds of minor points in all parts of the world. These sub-agents have not even possession of a previously forwarded signature of the payee, and must depend alone upon a comparison of the signature offered by the payee with his signature as shown on the letter which he brings in his hand.

These points of danger in this matter of identification of Letter-of-Credit holders, are in a measure avoided by a practice now coming in vogue with our most careful foreign bill drawers of placing squarely upon the face of every Letter of Credit issued by them a most careful description of the payees.

Here is one of these Letter-of-Credit pictures of a payee (see Form 57), which we have copied from a Bill of Credit drawn by the "American Exchange in Europe, Limited:"

Age 39 years 3 months	**Chin** Receding
Stature 5 ft. 6¼ in., Engh.	**Hair** Dark brown
Forehead High	**Complexion** Light
Eyes Gray	**Face** Round and full
Nose Medium size, quite thick	**Particular Marks** Scar between little and third finger of right hand
Mouth Medium	

Form 57.

The routine one goes through, in foreign lands, in drawing money upon his Circular Credit is a simple one. An explanation of a single

transaction will make the matter very clear and I will, for illustration, take a personal reminiscence, which covers the most difficult sort of case which is likely to come up in this drawing business:

I was in the Lake District of England—in Keswick. There was a small bank there. I had never before been in the place, knew no one there, and was not known by any one. I was getting out of funds. I entered the little bank, presented my letter of credit for £500, and asked the Manager if he could let me have £50 on it. He looked at this Letter of Credit, and said, pleasantly, that he did not know me, and that the last time he made an advance to an American upon an American credit he lost his money. The day after his payment the issuers of the Credit (Duncan, Sherman & Co.) failed, and he never heard more of the payee. He asked if I could give him time to wire to London about the payment. I told him I could not, as I was to leave Keswick at once. He then asked me to draw my check on the bill. His bank was not upon its list of payees, yet, after comparing my signature on my check with that of the Letter of Credit, he readily paid me the £50.

The bankers of England are always ready to cut red tape when they can do so without incurring too great a risk, and, as I have said, they are willing to rely upon signatures as a means of identification.

The traveler wishes, of course, to avoid by all means the misfortune of losing or mislaying his Letter of Credit. He should have a special receptacle in which to carry it, and it is important that it be kept free from wearing and defacement.

I will assume that my reader is looking forward to his trans-Atlantic trip; and in the rough experience of travel among strangers, in many lands, he may find this homely hint relative to the care of his funds of some value.

You will be pretty sure to place your watch, money, Circular Credit, etc., under your pillow at night. But, in order to escape the awkward mishap of leaving these things where you have slept, use one of your hose as a wrapper for them. You will not be likely to travel far without that.

If you *should* have the misfortune to lose your Circular Credit there need be no serious trouble (though the loss may be embarrassing) if you make prompt use of mail and wire to stop its payment at head-quarters.

When abroad you will often meet those who will say you must be careful not to lose your Letter of Credit, and inform you that if it is lost the loss will be yours to the full extent of the face of the credit. They are confident that a dishonest finder of the letter who should forge your signature and draw the money would inflict its loss upon you and not upon the parties who cashed it; and they tell various stories of how travelers in England have lost all their traveling funds in this way. These statements are incorrect. If you lose your Credit Letter

notify at once the parties upon and by whom it is drawn. Whoever cashes your bill upon a forged signature loses, and not you, provided you have not been negligent in putting them on their guard. This incorrect impression as to who shall be held responsible comes from a misapprehension of a peculiar law of England. The origin and character of this law is as follows:

English bankers became disgusted with the law and custom requiring that the payers of checks drawn to order should demand an identification of the parties collecting them. Checks payable to bearer could be paid without risk and responsibility on the part of the bank; but, if the checks payable to order were paid to the wrong person on a forged endorsement or anything else, the bank was the loser. The banks pressed Parliament to make a law putting both classes of checks on the same footing, and such a law was enacted.

"To-day," says a bank Teller of London, "I pass out the money for all checks presented as fast as I can to whoever presents them. My only care is to assure myself that the drawer's balance and signature is all right."

When told that in the United States identification was demanded of all parties collecting checks, no matter whether the checks were payable to order or bearer, he smiled. He said they never could get through with their banking business in London if they attempted to do it that way. This remark is true, because there are so many people there and so much to be done in a short time that a person can hardly see how they get through at all.

This is the check situation in England to-day: If a check is dropped in the London streets the first man who picks it up can rush into the bank and collect it and pocket the money. But to collect money fraudently is a great crime. England punishes such a crime severely. The severity of its laws and the promptitude with which they are enforced are great safeguards in business matters.

The man who loses a check in England must make lively time to stop its payment. Until he has stopped its payment he is in the same position he would be if he lost so many Bank of England notes or sovereigns, and the person who loses a Letter of Credit anywhere must make quick time in stopping its payment if he would not incur great responsibility.

Every traveler's Letter of Credit has attached to it a long list of banks and bankers where it may be presented and advances obtained. Few travelers are aware that this list is merely suggestive. The fact is, it is to be understood that the bill can be presented and payments negotiated with almost any banker of standing in any country named on the bill. It is hard to imagine any civilized country on the face of the globe that is not glad to purchase from you a reliable sterling draft on London. Such drafts should sell at a premium almost anywhere. A Boston man, just returned from a tour around the world, says he

always received a premium when he drew on his Letter of Credit at points distant from London.

American bankers have also introduced a foreign money-order system by which an exact amount may be delivered free of expense into the very residence of the recipient in places both small and large in almost all parts of the civilized globe. The business of paying money by telegraph has also been greatly perfected by them.

A popular and very convenient money-supply for foreign travel which has of late come much into use is known as the Circular Note. These notes are payable in all the leading cities of Europe, and are issued in denominations of £5 and £10 or their equivalent in other European currencies.

An ingenious endorsement plan has been adopted by the issuers of the Circular Notes. Holders of such notes are required to endorse them with a certain word of identification, given by the issuers, so that in case of loss none but the party possessing this identification word can realize upon them.

CHAPTER XV.

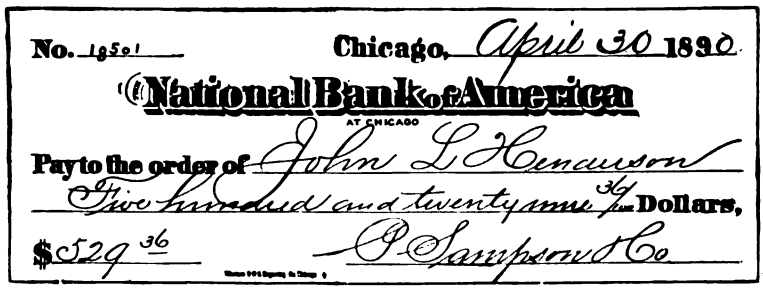
A CHAPTER ON CHECKS.

A bank check is in many respects the same thing as an inland bill of exchange. When it is made payable to bearer, it passes by delivery. It is, in general, subject to the rules which regulate the rights and responsibilities to parties to a bill of exchange.

Many of the leading characteristics of a bank check are so thoroughly well understood by every one who is likely to handle such a document or read this volume, that there is little need of enlarging upon them, but here are a few points relative to their various features that are not familiar to all:

The absence of a date upon a check does not warrant a bank in refusing to cash it. Checks ought to be dated. It is very much better that they should be dated. It is somewhat irregular not to date them. Nevertheless I should never refuse to pay a check that was all right in other points simply because it bore no date. If I could readily send it back to the drawer, and get him to put in the useful date figures, I should do so. Otherwise I should pay it, and duly charge it to the drawer's account.

Here is a good form of the ordinary every-day common bank check now in use (see Form 58). It may serve as a text for the explanation of a great many points of interest and importance in relation to checks.


No. 1850 Chicago, April 30 1890

National Bank of America
AT CHICAGO

Pay to the order of John L Henderson

Five hundred and twenty-nine 36/100 Dollars,

$529 36 P Sampson & Co

Form 58.

Notes made and executed on Sunday are invalid, but a check so dated is not invalid, and a bank has no right to refuse to pay it on that account. This is common law and common sense. Making and issuing notes on Sunday smacks of trading on that day, but a person may be really obliged to draw a check on Sunday—as, for instance,

for some charitable or religious object or to pay a minister $50 for preaching on an exchange.

In many States the death of the drawer of a check renders it legally uncollectible at the bank upon which it is drawn. Banks are really paying checks every day which have been signed by parties deceased. In very many cases they have no means of knowing that death has legally stopped such checks. Such dead checks are perfectly good against the estates of the drawers.

In States where grace prevails the statutes usually declare that there shall be no grace allowed on checks on banks—make these an exception to the general law providing for grace upon notes, drafts and bills of exchange.

The popular or dictionary definition of a bank check is that it is an order on a bank for the payment of money. Some authorities who discuss this point take the ground that the document in question to be a bank check—a legitimate and regular bank check in the eyes of the law—must be an order for the *immediate* payment of money. Under this ruling they hold that an order on a bank for the payment of money at some time in the future — one that is drawn on time—is not a check, but a bill of exchange or draft; and that, being such, it is as much entitled to grace, where grace on inland bills prevails, as if it was drawn upon persons or a person or upon any concern or corporation which was not a bank.

This view is not the generally accepted one among our banks, nor is it, in our opinion, correct. A check on a bank, whether it reads payable at sight, on demand, or at some named date in the future, is, if we may so express ourselves, a check in the eyes of common and statute law, and in the opinion of the bankers and business men through whose hands it may pass. It is simply a bank check and nothing else.

Where laws prevail which declare that checks on banks shall not be entitled to grace, these orders for the payment of money by banks which we have described are payable without grace.

In the matter of signatures to checks the laws which I have elsewhere given as governing signatures to notes prevail. They may be signed with pen, pencil, or with a mark.

HOW TO DRAW CHECKS.

The person who keeps a regular open bank account should use in checking upon his balance a check blank of uniform type, taken from his regular book and no outside source, consecutively numbered, and signed with a uniform signature. His check figures should always be supplemented with written ones. He should use good black ink, and endeavor to lay the ink on so strongly that it will sink well into the fibres of the paper. The invariable quick use of a blotting paper upon freshly drawn checks has a serious objection. It prevents the new-laid ink from sinking into and becoming, as it were, part and

portion of the paper, and leaves the check from which it has quickly taken the wet ink lightly and indistinctively impressed with its words and figures. The use of sand in place of a blotter can hardly be tolerated in common work, yet it has its advantages, since it adds to the strength and force of the fresh writing.

Dr. O. W. Holmes, now 80 years old, says: "I turn back to a record of my birth, made by my father the day I was born, and find the sand shining upon the entry seemingly as fresh as if it had been flung there but yesterday."

In drawing checks it is well, if possible, to let the newly-written ones stand for a while, to permit the ink to imbed itself, before you press on a blotter.

In filling in the written amount of a check commence the writing well to the left, drawing a heavy line over any space left open to the right.

Prefixed alterations are generally more dangerous, easier made and harder to distinguish than affixed ones.

A check drawn for one hundred dollars can, if the writing leaves an open space on the left, easily take on a prefix of twenty, making it twenty-one hundred dollars, while any affix would be made with considerable difficulty.

The reader who takes the trouble to make experimental studies of the above point will find it well taken.

But in whatever way the words of the amount are inserted, take all the necessary precautions against fraudulent change by hedging them well in with fencing lines.

The apparently very simple matter of filling up a check for a fraction of a dollar is well worthy of separate mention.

Checks for sums inside of a dollar are not an uncommon thing in business. I have seen many that were for a small part of a dollar pass through the exchanges of a bank. Some of these were signed by an official used to the faces of very heavy figures—signed by the Treasurer of the United States or his deputies.

There hangs in the office of the Pacific Mills, Boston, the cancelled check of the United States for one cent.

Messrs. Hewins & Hollis, of the same city, have framed and hung in their counting-room one drawn by the same official for the modest amount of two cents.

The other extreme in checks, which naturally comes to mind in this connection, may be seen in the noble old Bank of Commerce, New York, where there hangs on the wall a handsomely framed and splendidly drawn check for $14,000,000, signed by the solid house of Kidder, Peabody & Co.

But the matter in question is the best method of filling up a check for a fraction of a dollar—a filling-up business that is really not so easy as it seems. If any of these little checks are made out awkwardly

they are either suggestive of alteration to a larger sum, not easily read at a glance, or open to some other "Paying-Teller criticism."

Here is, I think, the very best form (see Form 59) of the little check in question that can possibly be devised:

Wall Street & Broadway.

$*Seventy-five cents.* NEW YORK, *April 10*, 1890.

First National Bank, of New York.

Pay to *A. B. Carter* or bearer

Seventy-five cents Dollars

100

Day, Knight & Co.

Form 59.

In filling in the above check a line should be drawn with pen and ink through the word **Dollars.**

Checks of many styles of filling up and endorsement very often come under our observation that are quite as objectionable as they are peculiar.

He came to me with a check payable to "self or order." He wished the money, but refused to put his name on the back of the check, although he was the drawer of the check which he had made payable to "self." It required no little wearisome talk to convince him that it was a poor way to frame a check, but that, having been so framed, he—"self"—really ought to put his name on its back.

Another person presented a check filled out payable to "order of bearer," which he had taken from the drawer of the check. It was difficult to convince this bearer, who was an identified party, that the expression "order" in the check seemed to demand bearer's endorsement. We refused to pay the check unless this endorsement was furnished, and so it was reluctantly given to us.

Still another brought a check payable to order of "J. R. I., Treasurer of Halifax Mills," and endorsed precisely thus with the initials. We asked him to put on his full name, as Treasurer, as we are never willing to receive these equivocal initial endorsements. We always demand a full name, and then, as the greater includes the less, we get the initials and full name also. He persistently argued that we were wrong, yet finally did as we requested.

There are only two proper ways of drawing checks. Draw them either "to order" or "bearer." When drawing "to order" say nothing about "bearer"; when drawing "to bearer" say nothing about "order." And when drawing "to order" draw "to order" of clearly-described party. If to an individual, give his usual style of

name; if to a Treasurer or Agent, fill in what he is Agent or Treasurer of, and require of these endorsers a conformity with the face filling.

"ORDER OF JOHN DOE OR RICHARD ROE."

Banks often issue certificates of deposit payable to the order of either of two parties named as payees. They also draw checks upon corresponding banks with what may be termed alternate payees—one of two named as just described. And particularly in our large cities it is an every-day practice with many bank depositors to draw checks upon their balance in favor of either one of two parties—to the order, as it were, either of John Doe or Richard Roe. The checks and certificates of deposit which we are describing are regular and fully negotiable instruments. When presented to Paying-Tellers for payment the endorsement of either one of the payees is sufficient and constitutes a satisfactory receipt for the money. This is a common sense and common law view of the case.

Our attention has been called to a decision of the Court of Appeals of the State of Maryland to the effect that such instruments as we have named are not negotiable, because they are made payable in the alternative to one of two different persons, and so have not that certainty in respect to payees which the law requires to make them negotiable. If this decision was made it was incorrect.

We repeat, any bank is justified in cashing a check made payable to the order of John Doe or Richard Roe on its endorsement by either said John Doe or Richard Roe, and any other view of the matter is absurd.

SAFEGUARDS AGAINST FRAUD.

Safety devices to prevent the fraudulent alteration of checks are on every hand and of endless variety. The canvasser for any one of them can demonstrate in a few moments that all except the particular one he represents are of not the least value; and when the merits of his invention have in turn been demolished by the next agent it becomes pretty difficult to determine as to the amount of safety gained by the use of any of them.

A suggestion has been made that banks might protect themselves against the forgery of checks which they use if they would adopt an engraved check-plate of the highest style of art. And the further suggestion has been made that all the National banks of the country use a uniform engraved check-plate of the class named, prepared with movable dates and locations.

There are no very serious objections to these suggestions. Were they adopted these between-bank checks would, as far as engraving, paper, etc., are concerned, have a sort of National bank bill character. But any hope to ensure absolute protection against forgery by the use of these nice plates and this uniform style would be fallacious. The National bank bills upon whose plates and paper so much mechanical skill has been bestowed have been very successfully imitated. There

are in circulation counterfeits of these bills which have been made so accurate that they have escaped detection and are still doing circulation duty with the genuine notes.

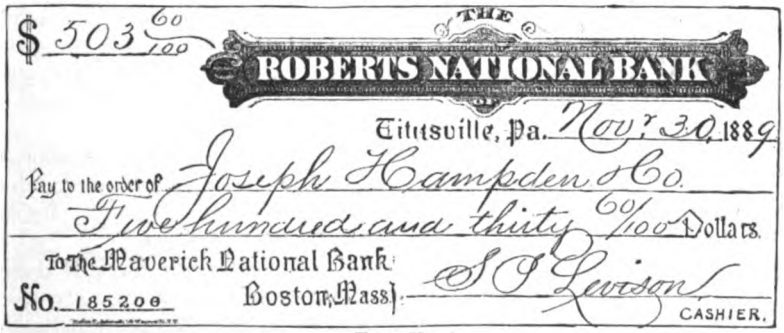
Checks made like bank notes would be more open to forgery, since their frequently immense value and their movable features in the way of names and dates would render them more liable to fraudulent assaults.

There has not been a preventive against forgery and alterations invented up to the present time which has not been successfully assaulted by swindlers. These so-called safety contrivances tend to make Tellers and others who are daily called upon to cash checks incautious about the men who present them, and thus they become sources of danger instead of a protection.

The drift of the most advanced practical bankers in this matter of safety in check forms is towards the use of a plain black and white check, drawn upon clear white paper with good strong black ink.

ERRORS IN DRAWING CHECKS.

There are often presented to banks for payment, checks in which the figures in the margin are at variance with the amounts stated in writing in the body of the checks. This discrepancy—this error—has been made inadvertently by the signer or filler up of the check. Here is a specimen of a check (see Form 60) of this irregular character:



Form 60.

Now, how does it stand? How shall it be treated? The law governing cases of this sort provides distinctly that the writing shall control. And a bank would, therefore, be legally justified in paying the larger amount, as written in the body of the check. But, practically, in such cases as this, the drawee—the bank—hesitates; and, if possible, in order to avoid trouble and losses, holds the settlement of the check in abeyance until, by conference with drawer, endorser, or somebody or other who knows what the check really was intended to be drawn for, a correct settlement of it can be reached.

A bank confronted with a check where the written amount was less than that stated in the marginal figures would, of course, be more

inclined to settle the matter at once by paying the smaller sum than it would to pay the larger amount in the case used as an illustration.

DRAWING CHECKS ON CORRESPONDENTS.

Banks in the leading towns and cities of the United States are often called upon to draw for their dealers and others checks upon New York, where many of them keep a portion of their reserve and where about all of them find it very convenient to keep an open account, since New York is the financial centre of the country. To the many outsiders, who are applying often for small New York checks, it is well to apply the rule of making a small charge for thus drawing, no matter what may happen to be the course of exchange. Such a charge is a perfectly legitimate one. This sort of drawing is a trouble and expense to the drawers, and throws work and responsibility upon the drawees.

I do not think it safe for banks to make a practice of drawing such small checks for strangers—for persons not identified. I have known of cases where such small checks have been purchased of banks simply for the purpose of fraudulent use—to raise to larger amounts. Great care should also be taken in making these checks—care as regards the paper upon which they are drawn, the style of filling up, the character of the writing, and figures, since any neglect in these points entails risk and care upon drawees; and, in case of loss, possibly responsibility upon drawers.

All New York checks, or checks upon any correspondents, should be issued payable to the Receiving-Teller, and by him endorsed, since he is the officer who receives the money for them and makes upon the books of his bank the original credit entries, and since, also, such a countersigning is a check against fraudulent issues of checks.

It is an excellent thing to make it a rule to issue all such checks as we are describing payable by endorsement direct to the party who takes them instead of to a third party to whom it is to be sent. By so doing their history, in case of need, is more readily traced.

It is also an excellent plan for the Teller who countersigns these checks to repeat their amount in writing on their backs directly over the signature of the Cashier. This repetition in such a place helps to prevent alterations.

ADVICE OF CHECKS DRAWN.

In England, checks drawn between banks—that is, checks drawn by banks in London upon their branches in other localities, and upon other banks, and checks drawn by branch banks and other interior banks upon banks in London—are issued in company with advices of their drawing, which are at once mailed or wired to drawees.

English banks are in the habit of comparing all the checks presented, of the type we have named, with the advices of their drawing, which they are supposed to have on file.

Regarding checks of individual depositors, the same practices

prevail in England as here. No advice of the drawing of such is usually given—none is wished for or expected.

In Canada, until within a very few years, there prevailed no system of check inter-advice between the central banks and their branches. But some very extensive frauds which occurred there a few years ago in the way of raising checks that had been drawn by Canadian branch banks upon the head banks in Montreal led to the general adoption of the English system of advising bank checks upon banks. In Canada, as here, individual checks upon banks are not advised.

Under the National and State banking system of the United States there is no general habit of giving advice of the checks which one bank draws upon another, or which individuals draw upon their banks. In those exceptional cases where banks are advised by corresponding banks of the checks which they draw upon them, the drawees who receive such advance notices are suppposed to compare carefully each check presented for payment with this description of it placed in advance before them. But the methods of check-settlement have now become so complicated and the volume of this business has so increased that this advice is very exceptional, and, where it is still adhered to on the part of drawers, the practical result is that few payers are able to watch, compare and be governed by these advices in the daily transactions of a large banking business. Embarrassments sometimes arise from this system of advice that are quite troublesome to Paying-Tellers and other officers. Correspondents who advise their checks sometimes fail to get these advices into the hands of the banks upon which the checks are drawn in advance of the time of their presentation—fail through errors and delays of their own or the mails. The question then arises with the bank upon which the checks are drawn whether or not these checks shall, if they appear all right in other points, be duly honored in spite of the absence of the usual advice. Intelligent bankers do not hesitate long over such a question as this. They pay the checks and wait for an advice to come afterward. So that, even where an advice system is in use, errors and delays such as those named and the difficulty of keeping a run of advices received often combine to make the advice feature a dead letter with the paying banks. Their Tellers gradually fall into the habit of paying all checks as presented without regard to the fact that some of them may be drawr by correspondents who are accustomed to advise. In view of these facts, and as our banks have made up their minds to mainly rely for safety upon a system of identification of check collectors and a careful watch over the signatures and general filling-up of all checks presented to them, it might be wise for banks and bankers to give up altogether this old-time practice of sending out the between-bank advices in question.

THE ISSUE OF DUPLICATE CHECKS.

This is a very common thing both in banking and general business. Banks are continually being called upon to issue these duplicates to

dealers who have taken from them their checks on corresponding banks and lost them by mail miscarriages or in some of the various ways in which drafts disappear.

Banks often call upon their dealers for duplicates of checks received from them in the routine of business and lost in process of collection.

The leading points relative to this business of giving out duplicates are as follows: In the first place the bank or individual who is asked to issue a duplicate check has a right, warranted by law and custom, to demand that a reasonable time shall have elapsed before such a request is entertained—that is, that such a considerable period shall have passed since the check disappeared in the mail or in some other way that there seems no probability of its coming in sight again. Circumstances must settle how long this time shall be.

The applicant for a duplicate check is supposed to be the party who has been so careless or unfortunate as to lose it; and this applicant must expect to be called upon to give a bond of indemnity in exchange for the duplicate—a bond to hold the issuer harmless and secure against loss in case the original turns up and becomes a claim against the drawer.

Individuals furnishing a duplicate check to a well-established bank are generally satisfied—and justifiably so—with taking from the bank a simple receipt for the check, in which is incorporated a guarantee against loss in case the original comes to hand. Banks furnishing duplicate checks between themselves for one another are satisfied with a receipt of this type. All experienced bankers thoroughly understand these points, and hold themselves in readiness to give in exchange for the duplicate a bond guaranteeing the issuer against loss which may be the outcome of the accommodation.

Some time ago a valued correspondent wrote me that he had lost in the mails a couple of my dividend checks—checks which had been

SIXTEENTH NATIONAL BANK.

BOSTON....September 12....1890.

In consideration of the Sixteenth National Bank, of Boston, having issued to.....Daniel B. Hallock, of Brooklyn, N. Y. two duplicate checks for ten dollars each, said checks being for..... .....No. 38 dividend of above bank.....payable to the order of Daniel B. Hallock.....the said.....Daniel B. Hallock..... doth hereby promise to hold said Sixteenth National Bank harmless from any and all loss, cost or damage which may be incurred by reason of its having to pay the original checks, it being claimed that the said original checks are lost.

Signed, Daniel B. Hallock.

Form 61.

made payable to order and duly endorsed back to me for collection. They had been lost more than a month, and so it was reasonable

for the loser to make the application for the new checks. Knowing the systematic character of my correspondent I stopped payment of the original checks and at once sent him the duplicates, simply saying to him that I should be pleased to have him incorporate in his acknowledgement the customary guarantee. This he did, giving me a filled-out form (see Form 61), which I consider a good one to use under the same circumstances.

This transaction at once called to the mind of myself and officers a query of long standing regarding our post office administration: Why is it that the postmasters of the period do not heed the instructions that every careful bank has printed in the corner of all its mailed envelopes, and which read as follows:

If not called for in 5 days return to [here follows name of the bank].

For many years I have been cognizant of frequently-recurring losses of letters thus stamped that have without doubt been caused in almost all cases by the misdirection of the letters by my officers; and yet it has been exceedingly rare for me to find the corner stamp of any account. The letters seldom come back from the post offices in which they are held under a wrong direction; and, in due course of time, we are forced to begin the tedious work of getting duplicates for its lost contents.

In some flagrant cases of postal neglect of the character in question, which I have followed up and investigated, I have written to the Postmaster-General for an explanation of these failures to carry out instructions. The invariable reply has been that all postmasters are rigidly instructed to obey the corner stamp, and that the department requested immediate notice of any violation of that plain duty.

CERTIFICATES OF DEPOSIT.

These are practically a bank's check on itself; and their issue in payment of an obligation, or when based upon non-interest paying deposits, is, of course, a source of direct profit to a bank. Many of them are liable to remain outstanding a long time; and the certificate of deposit account of some of our large city banks, made up of the aggregate of these items, is oftentimes an amount which is looked upon with no little satisfaction by the managers. There are one or two points relative to the issue of these miscellaneous certificates which bank officers should keep closely in mind. Deposits can be taken from entire strangers for any amounts, even the smallest, and certificates issued thereon with entire safety if these points are carefully attended to. A good blank certificate form must be used—good in its manner of getting up, good in the way of filling up, and good as far as the paper is concerned. A bank which fails in giving proper attention to these points may thereby inflict direct loss upon itself, or loss upon innocent holders of these certificates, which may be, and in many cases has been, thrown back upon the issuing bank. For, if there is anything about the issued certificates that encourages fraud, in the

way of raising their amounts, etc., common law and common sense will place the loss arising thereby upon the careless bank.

In issuing certificates payable to strangers, take their signatures upon the margin of the certificate book, so that, when the certificates come home for redemption, the endorsement may be compared with this original signature, if it seems necessary.

Also, make it an iron rule to have every returned certificate checked off with its original margin to see if it agrees in amount. By doing this, absolute safety is obtained against paying certificates which have been raised. There is no other method which will insure this safety; for raising can now be done with such skill, on almost any paper, as to absolutely defy direct detection.

Of course every properly managed bank has a ledger account of certificates of deposit issued, which is a full record of the amounts and names of all certificates issued, together with dates and numbers. Returning certificates can be compared with this record as they present themselves through clearing and over the bank counter before they are cashed; but to my mind the more convenient way to guard against the danger of being defrauded by raised certificates is the one I have before suggested—that of prompt comparison with the stubs. I have also suggested that the signatures of the payees of certificates be taken at the time of the issue of the vouchers, so that, in this way, help may be furnished to the Tellers in the matter of identification when the payees present the certificates for redemption. But I do not mean, by this suggestion, to indicate that in this, or any other case, resemblance of signatures is to be considered final and satisfactory.

There are so-called experts who hold themselves in readiness to settle very weighty matters—even those of reputation and life and death—by the testimony of a man's handwriting. But the expertest experts of the day, in the matter in question—the experienced Paying-Tellers of our banks—are the last persons willing to swear away a man's life or good name on judgment made up from the study of disputed signatures. Handwriting evidence is good collateral testimony; but it is not testimony of the iron-clad class.

I have in mind several quite ingenious persons with a talent for imitating signatures, who can write your name so that you would find it hard to disown it if brought casually to your notice unaccompanied with circumstances which might lead you to doubt its genuineness.

There is a curious feature connected with the issue of demand, non-interest-paying certificates by banks of high standing, particularly those located in large places. And this is the fact that there are always outstanding, upon the books of such banks, very many of these vouchers of quite an old date and of considerable amounts.

There seems to be a fairly good-sized class of individuals who appear to be undecided what to do with their money; and some of these seem to be in the habit of taking long years to come to a decision,

if we may judge from the certificate of deposit accounts of some of our old banks.

ENDORSERS AND ENDORSEMENTS.

The endorsers of a check stand in a promissory-note relation to it. To hold them on a check which is dishonored, a demand and notice—a regular protest—is necessary. Due diligence must be used in making the demand and in sending the notices to the endorsers. Broadly speaking, a check is always good against the drawer. Yet here is an exception. If, by want of exercise of due diligence in collecting, the drawer suffers—loses something—he may claim damages from the careless holder. I have known of a case where a man gave his check for $5,000 to a party, who carried it in his pocket for some days. During that time the bank upon which the check was drawn failed, and in failing locked up for a small dividend the entire balance of the party who had drawn the check in question. Had the check been presented at once it would have been paid; as it turned out, it was never paid. Verdict: Careless holder loses.

A bank may demand an endorsement of a check payable to order before certification. A bank may refuse to certify for an unidentified endorser. Banks may demand identification of the holder of endorsed bearer-checks.

In endorsing it is always best to write *across* the back of the check, draft, etc., rather than lengthwise. By so doing the vouchers are left in better form for the affixing of other called-for names; and, further, such a location of the endorsement is in accordance with well-established business custom in this matter, and seems to bind the name more strongly to the form and figures of the paper. The Teller who cashes the endorsed checks expects to find the payee's name thus placed, and it seems to him and to everybody else better placed than if sprawled lengthwise on the document. In endorsing, one should always gravitate towards the top of the check if there is any probability that the paper is to travel further and bear more endorsements. Thus, when a bank issues to its customers checks which are payable to and endorsed by its Teller, the Teller's countersign should be well up towards the top of the paper. It is easy, and also important, to recollect that the top of the back of a check is its left face. In an ambitious manual for business men published in this country I find the following bad advice in regard to making endorsements:

> Always endorse a check just as it appears on the face. For instance, if the check is payable to "G. Read" endorse "G. Read;" if to "Geo. Read" endorse "Geo. Read;" if to "George F. Read" endorse "George F. Read." If the spelling of the name on the face of the check is wrong endorse first just as the face appears and below it the proper way. For instance, the check is payable on face to "George Reade;" endorse "George Reade," and below this first endorsement write what it should have been, "George Read."

No person should endorse a check that is supposed to be his—to be made payable to him—in any other way than by writing his own name

—his legal name, spelled in the right and proper manner. It matters not that the name may be spelled differently—wrongly—in the face of the check. He should allow the error to go no further—should give it no countenance. If the payer of the check is satisfied he is paying it to the right person he does not wish a wrong name—a name, perhaps, that does not really have any relation to the paper upon whose back it is put. If the check is to go further through the exchanges, a guarantee of the endorsement of the payee will be all that is necessary to make it regularly negotiable and satisfactory.

THE USE OF STAMPED ENDORSEMENTS.

An authorized stamped endorsement is as binding as a written one. Nevertheless, there are to be found among our bankers and business men those who have a prejudice against the stamped signature, and it is almost impossible to obtain their acceptance of it.

But the use of the stamp is daily becoming more and more common, and law and common sense sustain it. The weak point about a stamped endorsement is that it cannot, like the written signature, bear that silent testimony of genuineness which handwriting always gives. In case of contention, positive proof of the genuineness of the stamp must be established. Where the signature is a written one it may, in some instances, prove itself by its face appearance, though it must be acknowledged that expert testimony in the matter of handwriting is apparently growing more and more out of favor. In getting up a stamped signature the practice of engraving and printing *fac similes* is very generally indulged in. The result is, perhaps, more tasteful and impressive than that reached in making a simple type stamp to print the name in use; but the imitation is no more binding and authoritative than the plain type.

Some of the banks in Boston, Philadelphia and other cities refuse to accept stamped endorsements upon the backs of checks received through the Clearing-House in the daily course of settlements. In New York the use of such stamped endorsements is universal. No bank there thinks of refusing them. I hold that a stamped endorsement is just as good as a written one, if made by the same authority; and in these home interchanges through clearing, where it is easy to prove reception of the check through proper avenues of circulation, there is little or no danger in the use of the printed endorsement.

But I recommend the written endorsement as far safer for use in the case of transmission of out-of-town collections.

ENDORSEMENTS BY TREASURERS.

Here is a point in check endorsing and paying that is not often alluded to, but which is of a good deal of importance, since it shows that some improper and misleading practices prevail among business men who are holding positions of considerable responsibility.

The Paying-Tellers of our banks are being constantly called upon

to cash checks payable to order of companies—corporations—of all sorts. Such checks require, of course, the endorsement of those companies. But they are often found coming forward for the cash, bearing upon their backs the simple endorsement of some individual, who has trailed after his name the word Treasurer without any specification of what he is Treasurer of.

Now, it should be generally understood—advertised—that such an endorsement as this is irregular and unsatisfactory.

The payee of the check is a specific company, and that company should endorse the check—should endorse it in about this manner, though the form may be varied to suit individual tastes:

New York Sand Blast Company
by
Peter Smith, Treasurer.

If, instead of so endorsing it, Mr. Smith, who may also be the Treasurer of the First Church, at Mount Holly, or the Springvale Horse Railway Company, simply puts, on the back of the check, "*Peter Smith, Treasurer*," who is to say in what Treasurer capacity his name stands there?

Individualism should have the least possible prominence in the matter of check drawing, and in the business of conducting correspondence, forwarding collections, etc., etc., where corporations are concerned—that is, being directly dealt with.

In sending a letter to the Fourteenth National Bank, New York, of which Mr. Robert Jones may happen at the present moment to be Cashier, address the letter Fourteenth National Bank, and not R. Jones, Cashier; and in endorsing all to-be-forwarded collections follow out the same principles.

Individuals are somewhat evanescent; corporations have long lives, and seldom change their names.

Here is another case where the objection arises from a fault of an exactly opposite nature.

The check was neatly and correctly drawn, and a good check as far as its face was concerned. Here is a *fac simile* of it (see Form 62).

1000 Dolls. — Cts Boston, Dec. 30, 1889

OLD BOSTON NATIONAL BANK.

Pay to Jones Despatch Co. or order

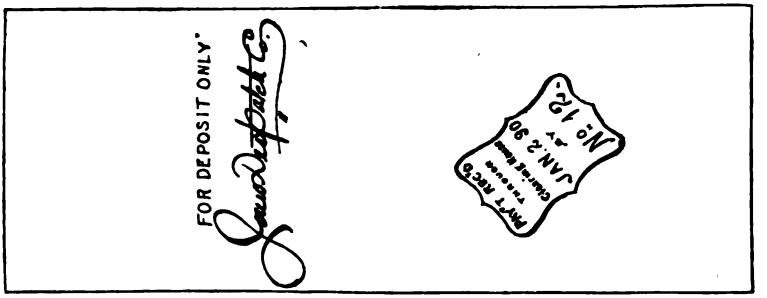
One thousand Dollars

To the Cashier. Porter Williams

Form 62.

But the Teller brought it to me, stating that he had sent it through clearing to the bank upon which it was drawn, and that the bank had

returned it to him saying, that it would not pay it unless I furnished it with a guarantee of its endorsement. Turning to the back of the check, to find out what was objectionable about the paper, I found an endorsement of this character (see Form 63):



Form 63.

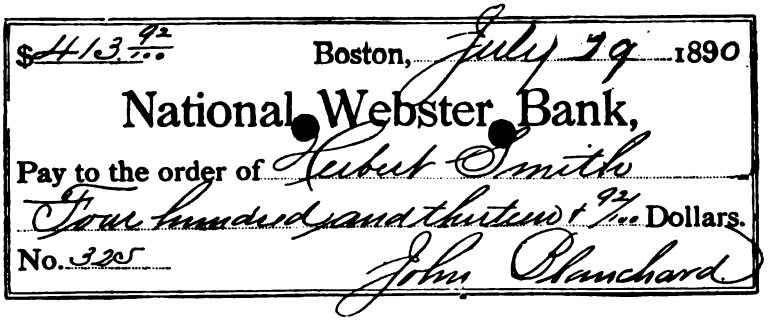
The obnoxious "signature" was the "Jones Despatch Company," and there can be few more objectionable ways of endorsing than the one that had been adopted by the said Despatch Company; and the drawee bank was certainly justified in asking for a guarantee of it.

This unwise custom of putting on as an endorsement, or using in any place as a signature, the name of a Company, without in the least individualizing it by signing by an agent, Treasurer, or attorney, seems to have been upon the increase of late, and is actually adopted by some very experienced business parties. The practice cannot be too strongly condemned. Doubtless the "Jones Despatch Company," in the case just given, would be held responsible for such an endorsement as we have described if they had authorized some one thus to sign for them. But the awkward feature of the business lies in the fact that in case of any dispute or complication it might be difficult to prove the correctness of the "signature"—difficult to establish its authorship and its authority. On the other hand, if the Despatch Company endorsed by its Treasurer thus, "Jones Despatch Company, by R. Jones, Treasurer," the check would pass along through settlements without question as far as its endorsement was concerned. Every properly organized company has a Treasurer, and that Treasurer is the only proper party to endorse and promise for it, unless he is absent, in which case it is usual for the President of the company to sign in his place. In the by-laws of corporations the provision is generally made that the President shall sign in place of the Treasurer in case of need.

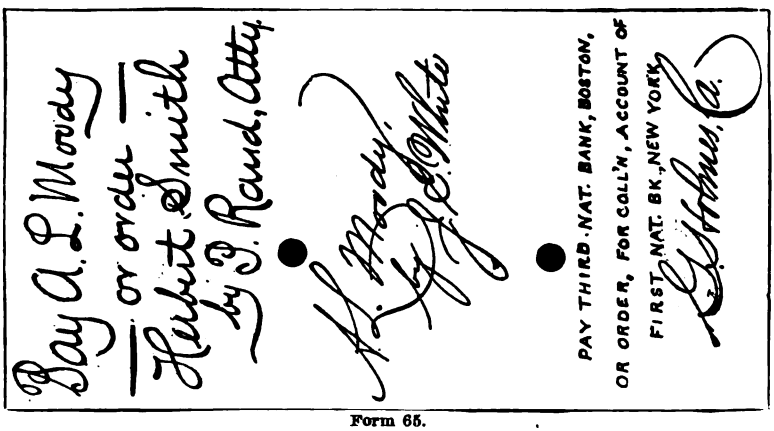
GUARANTEES OF ENDORSEMENTS.

The question of whether or not special guarantees of what may be termed "irregular" endorsements of checks are to be required, as the checks pass along from bank to bank, in their process of collection of the bank upon which they are drawn, is one which is being continually discussed in banking circles. The point raised is, in brief, this: Is

the bank in New York, which sends to me, in Boston, a check on a Boston bank for collection with endorsements as follows (see Forms 64 and 65), responsible, without giving me a special guarantee in the premises for the correctness of the endorsements that precede its own last endorsement?



Form 64.



Form 65.

In some cities, notably in New York and San Francisco, most, if not all the banks, take the ground that, in making an endorsement for collection on a check as shown in the above form, they guarantee—are fully held for the endorsements above them.

On the other hand I find that Boston banks will not pay a check of this character unless it is accompanied by a special guarantee of the correctness of the "irregular" endorsements—a guarantee which must be furnished by the last bank through which it comes to them for collection.

The embarrassments of the situation regarding this question arise from the fact that there has not been, so far, what may be termed a direct and positive legal settlement of the question we are discussing. But it would seem as if common law and common sense would support the view that the last endorser is responsible for the endorsements above

him. If such is the case—if he is held without positively so expressing himself by a special guarantee—there can be little objection on his part to giving a special guarantee, when parties paying the check take a different view and ask for the special guarantee.

To be pugnacious over inconsequential points is not, certainly, in the case of busy and ever-harrassed bankers, the part of wisdom. They should always be ready to make concessions for the sake of easing the friction of banking machinery where such concessions can be made without the sacrifice of principle or the assumption of risks.

Some English bankers and financial writers are in the habit of using a—to us—rather unfamiliar word in this connection.

Not long since I received a check for collection from a Canadian bank which bore upon its back an irregular endorsement—an endorsement which, to use an expression common with us, needed a guarantee from the correspondent through whom it had passed to us for collection. This correspondent made the needed guarantee in this novel form:

Endorsation guaranteed. (Signed), R. Smith, Mgr.

Now, what is the difference between the words endorsement and endorsation? Why had this Canadian bank dropped the former term and adopted the latter? There is a decided difference, and in this difference the Canadian found a reason for allowing endorsation to step into the place usually occupied by endorsement.

Endorsation means act of endorsing; the endorsement is the result.

There seemed to the Canadian no need of guaranteeing the endorsement. There it stood, finished and entirely legible.

But the endorsation—the right of the party who made this irregular endorsement in this precise shape to do this act—was what needed behind it the regular guarantee.

And, though this form of "endorsation guaranteed" may not come into general use in premises such as we have described, it cannot be denied the merit of being, after all, strictly correct.

GUARANTEEING AN ABSENT ENDORSEMENT.

There is another technical form of guaranteeing the back of checks, which is in common use among bankers, that sounds strangely, but which is, after all, quite difficult to improve upon. A check reaches a bank through responsible parties, who are not its payees, without bearing the needed payee's endorsement. The drawees conclude to pay without demanding the absent endorsement, since such a demand would cause considerable delay and trouble; they decide to cash the check if the presentor will "*guarantee the absence of the endorsement.*" This is the form to which we allude and it would be affixed as follows:

Absence of endorsement guaranteed.
(Signed), J. Jones, Cashier.

the signature being that of the presentor. Over-particular bankers sometimes say that such an expression of the guarantee is absurd, since

the absence in question is clear enough without any guarantees. They say that what is wanted is a guarantee against loss and trouble which may result from the absence of the endorsement.

The form of guarantee they have in mind is one which is very difficult of expression, and the condensed form we have given means just what they asked for—that the guarantor will hold himself liable for any loss or damage which may be the outcome of the irregularity we have described—an irregularity which is simply the absence of a proper endorsement.

Thus this common form, though technical in character, covers the ground fully, and the correctness of its use is well established.

In many cases the need for such a guarantee may be avoided.

To illustrate. A man in Boston received in payment of a bill of merchandise a check upon a bank in New York for $500. The payee of the check, a merchant in Kansas, had mailed it to his Boston creditor without endorsing it. The Boston dealer endorsed the check, *guaranteeing* the absent endorsement, deposited it in a bank, and the bank repeated the guarantee of the absent name and forwarded it to its New York corresponding bank for collection and credit. This New York bank returned the check, saying that the check could not be collected unless properly endorsed by the payee; that guarantees of absent endorsements would not be taken by New York banks. In the present case, where the depositors of the check were perfectly responsible parties, and the check was all right except in the point of payee's endorsement, it seemed an awkward thing to send the paper away back to Kansas for rectification. So the Boston bank asked the depositor of the check to endorse the check for the payee as follows: "John Jones [Jones was the payee] by Smith & Roberts" [Smith & Roberts being the Boston depositors of the check]. After this endorsement the Boston bank put on its "endorsement correct" and sent the check forward for collection, and the New York bank collected it and passed it to its credit.

Again, a concern receives from correspondents remittances of checks payable to its own order—checks which it is, of course, desirable to have passed at once into its bank for collection and credit. But there happens to be no member of the payee house at home to endorse these checks. What shall be done? The employees of the house in question may not be in any immediate need of the funds represented by these checks, but they rightly wish to have them put at once on the path of collection and credit for account of their firm.

Let the clerks pass them at once into their bank, marked upon their backs "Deposited for the credit of the payees;" and, to avoid the bother of an absent endorsement, let them endorse them for their firm —their firm by themselves. As the checks are to be credited to the payees, and as the proceeds of these checks, when once passed to credit of payees, cannot be drawn from the bank except on draft of the

payees, or their authorized attorney, it becomes perfectly safe and regular for the bank receiving them to guarantee these informal endorsements, and pass them along for collection.

Perhaps the circumstances are such that it is not possible to take advantage of either of the suggestions I have made. I recall such a case and the way it was handled.

The check was drawn on a Boston bank for $20,000. It was sent to me, in Boston, for collection by a bank in New York. The New York bank had received it from a corresponding bank in Toronto, Canada. It lacked the endorsement of the original payee, a house in Toronto. Unable, of course, to collect without this missing endorsement, or some responsible guarantee in its absence, I at once wired to the New York bank for instructions, and asked whether I should guarantee the absent endorsement or return the check. The New York bank, a prompt and most systematic correspondent, at once answered as follows:

"Obtain a certification of the check, and then send it to the Toronto bank, with a request that they obtain the endorsement and return the check direct to you for collection for our account."

This is good banking—a way out of an error that could not be improved upon. By this method of handling the check a risk was avoided by obtaining the early certification of "good when properly endorsed," and much time saved by sending the lame check direct to Toronto.

In this illustrative case a very important duty is made prominent—in fact, two duties. One is the necessity of wiring for instructions in critical and unusual circumstances; the other the duty of always obtaining the certification of the kind I have named where checks are refused simply on account of missing or informal endorsement.

Banks sometimes forget to ask for this certification—a certification which no bank ought to refuse under the circumstances described.

QUALIFIED ENDORSEMENTS.

While it is a good plan to make every check payable to the order of some one, it is not a good idea to have them so drawn as to seem to require what may be termed a qualified endorsement — that is, by accompanying the order to pay by any statement or description which would make the payee furnish something more than his simple endorsement. I am sorry to say that this practice is quite too common with check-drawers. Here is an illustration of this point:

I draw a check upon a New York bank, written payable to the order of some other bank, with the additional expression, "for credit of Smith & Jones, of Chicago," and remit the said check to the bank named as payee. This last-named bank, in receiving and collecting the check so made payable, ought, to be strictly correct, to endorse it just as it is made payable; but it does not do so; and so it is better not to have it so drawn.

Perhaps you send a check to a New York publisher in payment of

your subscription to his journal, and on its face write after his name as payee "For subscription to Jan. 1, 1891."

When he deposits that check for collection he simply endorses it with his name, saying nothing about the purpose for which it was remitted him. To be strictly correct, he should endorse it as it is filled out; but he does not do so; and, consequently, it ought not to have been so filled up.

All this descriptive and qualifying matter should be put in the letter accompanying the check, and not in the body of the check itself.

There is another reason for avoiding these descriptive matters in drawing a check. The payee who receives a check drawn to his order in payment of a bill, or for services rendered, which matter is fully written out in the body of the check, may not wish to have the fact thus expressed—fully known to every one through whom the check passes on its way to collection and to the bank upon which it is drawn.

The following incident, which transpired in one of our National banks a while ago, amusingly illustrates the complications which may arise under such objectionable orders to pay. The man presented the check at the desk of the Paying-Teller and demanded that it be cashed. It had been originally drawn in a proper manner, but the payee had endorsed it over to the holder, who was now trying to collect it, in something after this style:

Pay to the order of Henry Brown in full for all demands against me for services rendered by him.

Mr. Brown had, according to his own statement, deliberately pasted a piece of white paper over that portion of the order to pay which embodied the receipt in full for services rendered, and on that adhering paper had made the plain endorsement of Henry Brown.

The check clearly showed that the paper had been thus pasted on, and the presentor honestly explained what was under it, saying that he was unwilling to sign the receipt which he had thus covered.

The Teller refused to pay the check, claiming that it had not been endorsed at all—that the payee had simply endorsed another piece of paper and pasted it on the check.

The holder of the check took it away and subsequently returned with it with the added paper removed and his own endorsement upon the check, but the objectionable receipt crossed out by his pen.

As the check was but a small one, the Teller finally concluded to pay it in this mutilated condition—to take the risk of its settlement, though he would have been perfectly justified in refusing to cash it in its altered condition.

STOPPING CHECKS.

A full description of the check had been left with the bank (its number, date, amount, and endorsements, as far as known), accompanied by a written order to stop or refuse its payment, the person making this request having discovered that it had been stolen or

miscarried, and wishing to make it valueless in the hands of wrong parties. At the present time, when such vast numbers of checks are drawn, and almost all money settlements are made by the use of checks, while it is easy for a bank to receive and place on file a notice such as the one described, it is exceedingly difficult for the bank to undertake to insure stopping the payment of a genuine check. This matter is daily growing more and more embarrassing to banks, especially in large clearing cities, where checks center representing the business of an immense circuit. Careful banks attempt to hedge by distinctly declaring, when requests to stop payments are presented, that they will endeavor to obey the "injunction," but cannot promise to do so. In some banks notices are conspicuously posted reading as follows: "While this bank will use due diligence, it will not be responsible for checks paid, although payment of the same has been stopped." But waivers of this description have no legal force. An order from the drawer of a check not to pay it is as binding on a bank as one ordering the bank to pay it—as the check itself before it is stopped—provided both orders are drawn in a formal and proper manner. The only way out of the difficulty is, that if it becomes evident that banks cannot safely conduct business under laws and customs binding them to stop checks, legislation must be called in to help them by enactments that shall relieve them of the responsibility in question. When London banks could no longer get through their daily mass of check paying under laws and customs requiring them to procure identifications in cases of order checks, Parliament relieved them by a law permitting them to pay without identifications. The legislation we suggest would work a similar benefit in this country.

CANCELING CHECKS.

After paying and charging a check, banks have a custom of canceling them by punching or making some eccentric cut through their face.

The old style of driving a punch through a pile of paid checks, to signify that they had done their work, is not a style which can be recommended. When the Book-keeper puts daylight through his day's checks in this radical manner, he inflicts a disfigurement upon the checks which may be a source of danger. He thus hacks a piece out of every check, which piece, though it may bear a date or a figure of the first importance, goes into the waste-basket, and can be seen no more. I have known of aggravating cuts from checks that have thus made mutilations which have bothered banks in law-suits, etc.

An eccentric cut, which removes no portion of the check, is the most proper cancellation, and the one now most in use in our large banks.

All paid checks should be spindled, or in some way cancelled by Tellers, before they pass to Book-keepers to be charged and to receive their final and more thorough cancellation.

Failure to remember the necessity for Tellers' cancellations has, in

at least one case, given a defaulting Book-keeper a clear chance to use paid checks a second time.

I have been shown by a bank President, who has an excellent head for arranging bank machinery, the arrangement in his bank for cancelling paid and charged checks.

His Paying-Teller is supplied with a neat little hand punch, with which he cuts, from each paid check which passes through his department, a cancelling mark, which cut is distinguishable from that made by any fellow-officer, since it is his own initial. The Receiving-Teller and the Book-keeper in this bank have each also, their separate initial punches; and the use of these little hand-clippers prevents the objectionable mutilation of checks of which I have spoken, since, in using them, the officers look to see where they cut.

In matters of this sort there is a right way and a wrong way to do things, and, though the work may seem of a very trifling character, it often ceases to be of trifling importance in its results.

A final point as to cancellation is of value, for the reason that bank Tellers and Book-keepers sometimes cancel checks by mistake. They will, by error, put their punch or cutter through them when they have not been paid and are not to be paid by them for the reason that they are drawn upon some other bank. The cancelling is generally considered an evidence of payment or a proof that a check has reached the end of its route. It is, therefore, the plain duty of any bank which has punched a check wrongfully to make at once, before it has been passed along to the bank upon which it was drawn, a formal record upon the check, and directly under the punch, that the punching has been done by mistake. This record should be made by the officer who has made the cancellation.

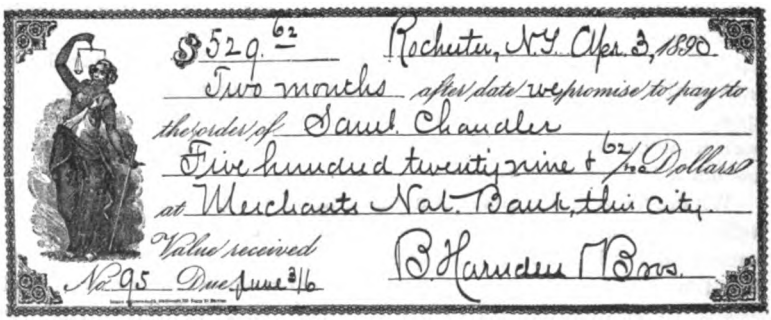
Whenever a check reaches a bank upon which it has been drawn with a punch or cut in it that has been made, as I have described, by error, and yet has no certification upon it of who has made the error, it is the custom and duty of the bank upon which it is drawn and which is about paying it to send it back to the bank or party from whom it has been received in the process of collection, with a demand that the cancellation error shall be guaranteed or duly certified as having been made by mistake.

The question very naturally arises here whether or not a bank upon which a check is drawn would be justified in refusing to pay it if it came to it mutilated in the manner described, provided it could not secure from any previous holder the guarantee or certification mentioned. We reply that, if the check and its presentation were all right in other respects, no bank could be justified in flatly refusing to pay it simply on the ground that it had a cut or a hole in it.

CHAPTER XVI.

NOTES AND DRAFTS.

A promissory note is a documentary promise to pay. An old English definition of this instrument states it to be a writing which contains a promise of the payment of money or the delivery of property to another at, or before, a time specified, in consideration of value received by the promisor. From a practical banking stand-point exceptions would be taken to one feature of this definition—that which speaks of the payment "on or before," since the holder of a time note cannot legally be obliged to accept payment before it is due. This question seldom comes up between payer and payee, yet it is well to understand its bearings in case it should arise. A common style of promissory note (see Form 66), which must, of course, vary in form according to circumstances, is the following:


$529.62
Rochester, N.Y. Apr. 3, 1890
Two months after date we promise to pay to
the order of Saml. Chandler
Five hundred twenty nine 62/100 Dollars
at Merchants Nat. Bank, this city.
Value received
No 95 Due June 3/16
B Harnden Bros.

Form 66.

In explaining its leading features, their bearings, and the rights and duties of the parties, the order of the statements set forth in the note offers a good arrangement for the order of our explanations.

THE PLACE WHERE A NOTE IS DATED.

This is of far less importance than is generally supposed. A note is always payable where the promisor has a legal place of business, unless it is otherwise specified in the body of the note, no matter where it may be dated. Thus, a promise to pay $5,000, dated in New York, and signed by a man who is a merchant in Boston, is payable in Boston, unless the body of the paper contains some provision of a contrary character, though the word Boston may not appear on the note.

Notes that pass from hand to hand and through banks for collection or discount, bearing specific places of date but no specific places of

payment, are generally supposed to be signed, and so payable, in the places where the promisors do business. Quite often they are not thus executed, and risks and misunderstandings occur from a want of a clear knowledge of the facts we have just explained.

Notes should always be written in their body payable at some definite place. In such a case the place *where* they are dated appears to be what it really is — of little account.

THE DATE OF A NOTE.

The date of a note is, of course, a matter of the first importance, or it is likely to be so, for the time of maturity usually runs from it, and interest, where interest accrues, is generally calculated from it. But it is a much better plan to draw up notes and time drafts payable at a certain fixed time in an unmistakable way in the body of the documents, instead of making them payable in so many months or so many days from date.

Thus, I would insert the maturing date directly in the body of the note in this way: "For value received, I promise to pay on the 6th day of March," etc.—drawing the paper, in matter of date and other points, as in the form presented above.

If one desired to state it still more exactly he would say, "on the 9th day of March, fixed" or "without grace."

Promisors and payees of notes and acceptances are quite sure to know when they wish the paper they have in hand to fall due, and there can be no prettier way of making the maturity clear and prominent than by setting it down at the start in plain black and white.

The term "fixed," as sometimes used in this note form, is an unmistakable one in both law and custom. Fixed means just what it says—positively at that time without any grace.

These suggested forms would save trouble in computing maturities of paper, which, under the common form of making up time paper, is a ready source of error to inexpert reckoners.

There are several leading facts relative to the dates of notes-of-hand which should here be stated. It is safe to say that a note made and issued on Sunday is an illegal document, and is therefore void. In practical banking, notes are discounted and collected without thought of, or reference to, the possibilities of the fact that the paper may have about it such a taint; but every banker ought to understand that there might arise, under some circumstances, what may be termed "Sunday difficulties" about notes. A note may be *dated* on Sunday and not be open to any objection on that account. In averaging payments and issuing promises to pay of various dates, based upon the result of averaging operations, dates of paper are often thrown into Sunday, and such a location of a date of a promissory note is not "illegal or irregular." Sunday is, of course, a regular working day, as far as maturity of paper and interest are concerned, yet careful calculators are often found studying up plans for avoiding throwing their maturi-

ties on a Sunday, since by such they lose a day, as the Sunday note must, by the statutes of many States, be paid the day before.

Notes are sometimes unintentionally issued without a date. In case of the decease of a party who has given a note in this way, the holder may prove the date and insert it himself. In case the signer still lives, it is better to hunt him up and get him to put in the figures himself.

Notes whose dates have been altered are often turning up in banks and elsewhere. If the alterations have been made at the right time and by the right person they are not legally viewed as blemishes.

FACTS RELATING TO FIGURES.

The figures representing the amount for which the note is given are almost always placed where they are shown in the form. The amount in a promissory note can, in this country, be legally and regularly given in figures, writing or cipher, but there are countries where the statutes demand of a note-of-hand that its amount shall be expressed both in writing and figures.

Our present common note-of-hand form is of very ancient origin. All its points are fully described and discussed in old French law books. The oldest French legal authorities take the ground, which is held with us to-day, that where the amount of a note is expressed in figures and writing, and there is a variation between the two, the writing shall take precedence.

The practical view of such variations, and the action taken under them by the Discount or Collection Clerk of the bank of the period, is for either of them, when he finds a note of this incoherent character working its way into the files, to stop it immediately and send in search of some reliable parties to it who can tell for just what amount it should have been drawn.

Bank officers treat checks which do not agree in writing and figures just as they treat these variable notes—refuse to have anything to do with them, until corrected, if they can by any means find parties to them who are able to make them straight.

FOR VALUE RECEIVED.

This ambiguous opening phrase, inserted in all negotiable notes, and meaning nothing, since it does not state who has received the value, is one of those Continental red-tape forms, allied to the senseless use of seals and antique expressions in Law Latin with which many of our modern business and finance papers are encumbered. It may be well enough to keep up its use, since it looks well in a note and adds to its dignified and formal air; but it should be clearly understood that its presence in a promissory note is by no means a legal necessity; nor is it there by the command of a custom which has any binding power. An honest promise to pay will go alone without the addition or prefix of any such acknowledgment, and can be enforced as well without it as with it. In these days of rafts of accommodation paper it is a fact that many good notes are signed where no value has been

received; and, as all classes of paper adopt the fashion of using the words in question, it follows that, in many cases, they are mere fiction.

PROMISE TO PAY.

It is not easy to misunderstand the force and meaning of this expression. In the negotiable note the promise to pay must be unconditional. It cannot be made to depend upon any contingency whatever. For the note or acceptance is deemed a negotiable instrument only when it is so framed that it can be transferred either for collection or by sale or discount from one holder to another—when it is made in due form for circulation as a collectible voucher in any hands to which it may be regularly passed. To possess all these characteristics it must be made payable, and that unconditionally, in money. If a note is written payable in cash, or particularly named articles of merchandise, as, for instance, in "good merchantable timber, at market price," it becomes a contract, and is not entitled to the name of commercial, negotiable paper.

For a condensed abstract definition of the leading features of negotiable paper there is nothing better existing than that given by Daniels when he says (Vol. I., page 56) that in order to possess the quality of negotiability the paper should afford upon its face every element necessary to fix its value. It is because paper, to be negotiable, must possess this important characteristic, that it becomes a question whether notes and acceptances written "payable in New York exchange," or any other exchange, can be construed to be really and properly negotiable. For this reason there are intelligent bank managers who take the stand that they will not discount such paper.

TO THE ORDER OF.

This expression is also absolutely necessary to a note's negotiability. The payee—the party to whose order it is payable, and who becomes its endorser when negotiated—cannot be legally called upon to meet the note himself until a formal and positive demand upon the signer of the promise to pay has failed to secure a redemption of the promise. Such demand, accompanied by due notice to the endorser, makes what the banks and notaries term their "protest" of a note—an operation usually costing the bank in notarial fees from $1.50 to $2 on each note.

Here are a few leading points about protesting which are worthy of being noted. Demanding and notifying, constituting what is termed protesting, is best done by a sworn Notary Public, whose broad seal-signature and formal documents are accepted in Court as *prima facie* evidence of the facts stated. When the services of a Notary cannot be obtained to do work of this character it can be placed in the hands of any person. Such unofficial protestor must be very careful about all his acts and records, and must be ready, in case his doings are called into Court or questioned in any important way, to furnish witnesses who can confirm his acts by their testimony.

In all protesting, due diligence must be used in making a demand

upon the promisor at his place of business, if he has one, or at his residence, if he has no place of business, or at the point where he has made the note payable. Where a promisor makes his note payable at a bank or any other specific point the demand must be made there and not at his residence or place of business, though these last may be in the immediate vicinity. This demand must be made on the day of the maturity of the dishonored note, during the business hours of the promisor, or of the office where the note is payable.

Notices to endorser or endorsers must be sent at once; if "out of town" must be mailed as soon as the day following the demand.

Where a note bears many endorsements, all are mailed to the last one, and he in turn mails to those above him, a day being given for each re-mailing. It is perfectly legal and regular for a Notary in Boston, protesting a note due there, with many endorsements, the last one of whom is a New York party, and all the rest well-known Boston business men, to mail all the notices to the last endorser in New York, who must in his turn mail back to the one above him in Boston.

These are only a few leading points about protesting an endorsed note. Manuals devoted to the business are in all good bank libraries.

DOLLARS.

The promissory note before us is payable in "dollars." What are they, from the stand-point of the American banker and merchant?

The Bland Act made eighty-five cents or so an American dollar, such as is set forth in the promissory note we have in hand; and this Bland Act, under which we have nominally *assumed* specie payment, upsets any theory that the country has *resumed* that specie payment which in war times we suspended. We have *assumed* payment in silver, but not *resumed* specie payments after the old-time understanding. Thus the matter is understood and reckoned upon in the settlement of the exchanges of the world's commerce.

Resumption of specie payment has always meant, the financial world over, resumption of the payment of gold instead of paper—gold where any amount is concerned, and silver, etc., in change; and this is what resumption really means to-day. Practically most notes are paid by checks, certified and otherwise, which are the representatives of the dollars we have been describing.

The man who owes a note payable in dollars may pay it in various ways, but these all amount to about the same thing, viewed from the debtor's point of view. If the note lies lodged in a National bank for collection, the promisor thereof has a right to pay it in National bank bills, for every National bank is obliged to receive, in payment of debts due it, bills of any National bank. In times when National bank-notes, particularly small ones, have been in over-supply among the banks, they have sometimes attempted to make the point that the payment of collection notes—notes left in their hands by owning depositors—was not the payment of a debt due the bank, and that, consequently, they

were not obliged to receive other than lawful money in settlement of such collections. But the point is a strained one and cannot be maintained. Promisors have the right to pay their "dollars" in lawful money, no matter whether the promises to pay are in the hands of banks or individuals. Legal-tenders, United States notes, gold and silver, with qualifications, are lawful money. Here is a concise table of lawful money (see Form 67):

GOLD.			SILVER.		
Denominations.	*Weight, Grains.*	*Amount for which a Legal-Tender.*	*Denominations.*	*Weight, Grains.*	*Amount for which a Legal-Tender.*
Double Eagle...	516.	Gold coin of all denominations is a legal-tender for any amount.	Standard Dollars	412.5	Unlimited.
Eagle.....	258.		Trade Dollars....	420.	Not legal-t'der
Half Eagle.....	129.		Dollars.....	412.5	Unlimited.
Three Dollars...	77.4		Half Dollars.....	192.9	Ten dollars.
Quarter Eagle..	64.5		Quarter Dollars.	96.45	Ten dollars.
Dollars.....	25.8		Twenty cents....	77.16	Five dollars.
MINOR.			Dimes.....	38.58	Ten dollars.
Five cents.....	77.16	Twenty-five cts	Half-dimes	19.29	Five dollars.
Three cents.....	30.	Twenty-five cts	Three cents.....	11.52	Five dollars.
Two cents.....	96.	Twenty-five cts	Mutilated Silver and Minor Coins are refused, as there is no provision for their redemption.		
Cents.....	48.	Twenty-five cts			

Form 67.

It is important to note here that this standard silver coin, the standard "dollar," which is often sarcastically termed by financiers the "buzzard" dollar, is inferior in intrinsic value to a trade dollar, which cannot be forced upon a payee in settlement of a note payable in dollars.

PAYABLE AT.

The place where a note is payable is one of its most important features. All parties to a note are greatly convenienced by its having a place of payment clearly and specifically named in its body. The best way is, if possible, to make a bank that place of payment; for a bank is a central locality for settlements of this sort, is always ready during banking hours for the work of receiving payment, and has the machinery and understands the methods required for the business. It is not a good practice for a merchant to make his notes payable at his own store or counting-room. He is likely to embarrass himself by so doing; for, in case he fails to find where his note is held at the time of its maturity—receives no notice from the bank or individual of its place of deposit for collection—he will be obliged to draw his money from the bank and hold it in hand during all the business hours of the day of its maturity. On the other hand, if he has made his paper payable at his bank, he has nothing to do but to put his bank in funds to meet it and order them to do so, for no one holding it can protest it until it has there been presented and turned away dishonored.

In Clearing-House cities it is particularly advantageous for banks and note-makers that every note shall be made payable at a bank, since in such cases they can be smoothly and conveniently charged in

through the Clearing-House at the morning settlements after the common bank check style. The note made payable at a bank is ordinarily notified there; yet, if the maker of a note thus drawn wishes to be notified personally, he has only to minute a request of this sort in the margin of his note when he executes it.

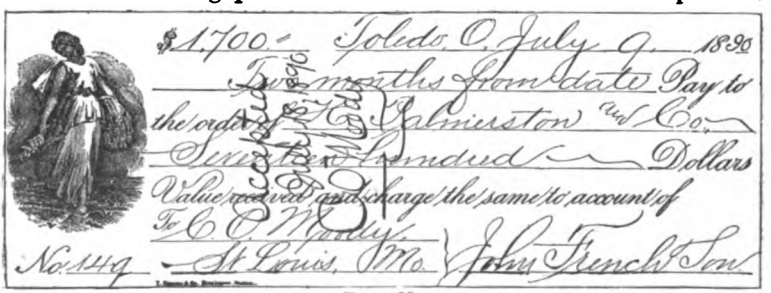
THE SIGNATURE OF A NOTE.

It is exceedingiy desirable that this shall be so expressed that it can be readily distinguished. There is no banker of experience who will not be able to recall with regret the weary waste of time that he and his officers have been caused by the almost undecipherable signatures that frequently turn up in banks. There are few parties who are called upon to sign notes who cannot, if they so please, affix their names in a readable style. They may not have a talent for elegant penmanship, but, if they aim at legibility when they undertake to write, they can generally make characters which can quickly be translated by the Discount or Collection Clerk. The signature may be made with a pen, a pencil, or, in fact, with anything which will write, and, of course, a writing fluid of any hue or material. A note can be signed by mark, properly witnessed, or a man's initials for his promise will surely bind him. A note may even not be signed at all, or may have been signed with an ink that has afterwards entirely fled, yet the demand upon it shall be good against the party really owing upon the note. Writing is, after all, merely a convenient witness, as it were, and the debtor who expects to escape from meeting his just debts simply because that witness may happen to be absent, in case of a note, for instance, will find that other testimony may be summoned to hold him to his promise.

Where a man wrote a note in liquidation of a claim, and with fraudulent intent inserted a "not" after the word "promise" in the note he signed—literally promised *not* to pay—the swindle, of course, availed him nothing.

DRAFTS AND ACCEPTANCES.

The form below (see Form 68) of an accepted draft may serve as a text for considering points relative to both drafts and acceptances.



Form 68.

In the matters of date, signatures, amount in figures and writing and

endorsements, the draft and acceptance are under check and promissory note laws already referred to.

The method of stating the maturity, also, may be similar to that I have recommended for notes, and in the draft shown above would read "Sept. 9th after date pay to."

There are a few points of a distinctive character relative to papers of this description which may not be understood by all. Both before and after the acceptance of a draft the drawee stands, practically, in the same relation to it as an endorser. This answers the question so often raised by bank officers, "Why protest this draft, since it has no one to hold but the drawer?" To legally bind the drawer of an unaccepted draft care must be used in its presentation for acceptance, and protest demand and notices served. Drawees have twenty-four hours in which to decide whether or not they will accept a time draft. But when, say at the second date of this twenty-four hours, they do accept, their acceptance should be dated—if the form of the draft calls for an acceptance date—from the date of its presentation—that is, back to the time when they first saw it.

When a draft requiring acceptance meets with a prompt and decided refusal of acceptance on its presentation, bank officers often ask the Cashier whether or not it is best to hold the paper in hand the twenty-four hours or give it once to a notary for immediate protest.

This matter has two aspects. To protest at once, where the refusal has been flat, gives all the parties to the draft, back of the drawee, the advantage of the earliest possible notice of its dishonor, an advantage, in some instances, of considerable value. This might be particularly the case where the draft was for a large amount and based on perishable goods which the consignee was refusing and which the drawer would wish to take in hand at the earliest moment. On the other hand there are many instances where drawees who have refused point blank to accept a draft, change their minds, under influence of circumstances, before the twenty-four hours are up, and finally accept—accept to growl over a protest and perhaps to refuse to pay it altogether.

The decision in the situation in question must be left to be decided by the bank officer by circumstances and the exercise of good judgment.

A simple protest for non-acceptance of a time draft will permit of its safe return to the owners. There is no positive legal need that it shall also be protested for non-payment, though it is generally a safe custom so to do.

A full protest—the filling up of accompanying notarial blanks—is always preferable in case the simple protest for non-acceptance is made the final protest.

CHAPTER XVII.

THE PRESIDENT AND DIRECTORS.

Under this title we shall consider the administrative force of the bank, and very properly begin with their election.

Early in January the Cashiers of most National banks will find that they have on their hands the business of attending to the management of the annual meeting of their shareholders. At these meetings the President of the bank presides over such of the shareholders as can be drummed into attendance, and the Cashier serves as clerk. Every shareholder is entitled to one vote on each share held by him. Shareholders may vote by proxies, but no officer of a bank can act as a proxy. No shareholder whose liability on his shares is past due and unpaid can vote on them. As soon as the shareholders have chosen the Board of Directors the Cashier should at once formally notify them of their election by a notice either on a postal or full-size note like the following (see Form 69):

THE FIRST NATIONAL BANK.

Sir: New York, January 9, 1890.

At a meeting of the Stockholders of this Bank, held at their Banking Rooms this day, you were elected a Director for the year ensuing.

You are requested to attend a special meeting of the Directors this day at One o'clock P. M. for the purpose of organizing the Board. Per order, Saml. Davids, Cashier.

Mr. Henry Lincoln.

Form 69.

It will be observed that this notification also summons the Director-elect to a meeting of the Board at a later hour of the same day for purposes of organization. At this meeting the Directors take the oath of office, a Notary Public being present to administer and record this oath because he can do the work in the most formal manner and attest with his imposing seal. The Bank Act does not specify the manner of administering this oath to Directors, and a Justice of the Peace has, therefore, full qualifications for the work.

Here is the form of oath (see Form 70) required by the National Bank Act, and it will be seen to be quite severe in its declarations.

It is required that every Director, when elected, shall *at once* take the following oath.

"I, the undersigned, Director of The , of , of the State of , do solemnly swear that I am a citizen of the United States and resident of the State of , and that I will, so far as the duty devolves on me, diligently and honestly administer the affairs of said Bank; and that I will not knowingly violate, or willingly permit to be violated, any of the provisions of the Revised Statutes of the United States under which this Bank has been organized; and that I am the bona fide owner, in my own right, of the number of shares of stock subscribed by me or standing in my name on the books of the said Bank, and required by said Revised Statutes; and that the same is not hypothecated or in any way pledged as security for any loan or debt.

Subscribed and sworn to this day of , 189 , before the undersigned, a of said county.

Form 70.

Not long ago I had some little conversation with an able merchant, who had for many years been a Director in a State bank which had re-organized under the National system. At this re-organization he declined to continue on the Board, because he was not willing to take the required oath. Many who are less sensitive about assuming such obligations are often quite easy in their way of living up to them. They lightly sign and lightly break their oaths of office.

The statement in the oath as to ownership of stock, refers to the requirement of the National Bank Act that a Director shall be the owner of ten shares of the bank's stock. I note here that those National banks which have a par value of $50, as far as I have observed, require their Directors to hold, for a qualifying quota of stock, 20 shares instead of 10, although there seems to be nothing in the Bank Act requring that they should hold more or less than 10 shares, no matter what the par may be. In this matter the Bank Act seems not sufficiently clear.

The Cashier must see to it that the oaths of the Directors are at once forwarded to the Comptroller. The Directors are not qualified to serve until they have been sworn in. If they are not present at the first regular meeting after their election it is customary for the Cashier to send his Notary, with a prepared oath form, to search for them at their places of business, so that the oaths of the full Board may be sent to the Comptroller at once.

Every National bank is required to have not less than five Directors. In the other direction there is no limit to the number of Directors a bank may have.

The Board, at its first meeting, chooses one of its number as President and, in some cases, another member as Vice-President.

RESPONSIBILITIES AND DUTIES.

No man is obliged to be a bank Director; but when a man has assumed such a position he is under absolute obligations to attend to

its duties. He should endeavor to attend promptly all the Board meetings, should try to make himself familiar with all the ways of the institution in his charge, and should take a close personal interest in its officers and their methods of discharging their duties.

In the central and all important duty of looking after the investments of the bank, he should never forget that the loan in his charge is not the loan of funds belonging to the Board of Directors, but the property of wards in his charge—wards who are often helpless widows and orphans; and he should never favor a loan or a discount which he would not make were he individually the owner of the entire bank.

Without doubt there are instances where parties accept, or even seek, positions as Directors for the simple purpose of adding to their own personal revenues by the use of the facilities afforded by such positions for making money in various ways. Such instances are, however, rather exceptional. To meet such abuses Vermont has recently passed a law which is a good example for other States to follow, and the leading features of which might well be copied into the National Bank Act. The law in question prohibits, under severe penalty, any bank Trustee, Director, or, in fact, any bank employee, from receiving any bonus, commission, or any consideration whatever, from borrowers of the institution with which they are connected.

The great majority of the members of these Boards are men of the highest business character who have achieved success in finance or manufactures, or some other leading line of business, and who accept the positions because they are pleased with the nature of the legitimate duties and associations belonging to them, and are more than willing to take a Director's responsibility in consideration of the honorable nature of the position and the opportunities afforded for doing business service.

In all matters that have to do with the policy and administration of their bank, it is extremely desirable that the Board of Directors should be a unit—a harmonious body working together, as one man, towards a single end, and that end the best interests and highest prosperity of the bank which is in their charge.

Points relative to the business of the bank should be fully discussed at Directors' meetings, and there finally settled. At these meetings all varying views should be presented. Then and there is the time and place for the expression of opinion and criticism. And after a conclusion there has been fairly reached, that decision, as far as practicable, should be accepted and loyally supported by every member of the Board.

But it should be remarked in this connection, that it can never be expected that each individual member of any given Board of Bank Direction shall have equal influence and power in the matter of the direction of the affairs of their bank. It will always, or nearly always, be found that the practical working of the Board of Direction business

is about like this: There will be some men on the Board who are so absorbed by their own private business matters that they have neither the time nor the inclination to give any very great attention to the affairs of their bank. Such Directors are inevitably irregular in their attendance at Directors' meetings, and, as a consequence, cannot be very closely acquainted with the run of matters at the bank. They may be faithful and able business men, but they have entered the Board of Directors with the tacit understanding that the Board is to have only a small share of their business talent.

Then outside of this general distinction as to some of the members of Boards of Direction, there is that difference of power and influence exerted by individual Directors which comes from existing differences in the make-up of the men as regards their force, persistence and ability. It is not far out of the way to say that the practical workings of the average Board of Bank Directors are much after this sort. When first thrown together the various members may be little acquainted with each other's business habits, talents and tastes. They may, for a time, drift along in rather a promiscuous manner, but before long it is apt to be the case that the discovery is made that one of their number is by nature, education, real business talent and force of character well calculated to be the leading man among them, and not at all unwilling to be recognized as such. It is rare to find a Board of Bank Directors which does not contain at least one member who is recognized, inside and outside the bank, as the leading spirit of the Board.

FINANCE COMMITTEES.

Boards of Directors are in the habit of delegating a large part of their management to a Finance Committee made up of three or four of the most active members of the Board, with the President of the Board as Chairman *ex-officio*. Unquestionably a majority of banks are "run" by their Finance Committees. The by-laws of these institutions usually fully define the powers of the Finance Committee, and from time to time, by vote, special duties are thrown upon them—such, perhaps, as the purchase or sale of a quantity of stock or bonds when all the information necessary could not be procured for the full Board and yet where the President did not want to take the sole responsibility of a decision. This important committee is a very convenient and important "institution" in every systematically managed bank.

MEETINGS AND RECORDS.

The by-laws of a bank state when these meetings shall be held, what number of Directors shall make a quorum at meetings, etc., etc.

As regards time of meetings, the banks vary widely. The range is all the way from the once-a-month of the small bank in the country, with a Board made up of gentlemen living in many towns in the district where the bank is located, to the daily meetings of the Board of

some great city bank, whose capital, deposits, etc., are heavy, and whose business has a wide sweep.

The hours of meetings also, vary just as widely; for, while the bank in the city or large town generally calls together its Directors at some hour between 10 o'clock A. M. and 2 or 3 o'clock P. M, it is not uncommon for a bank in the back country to hold its Directors' meetings in the afternoon or evening hours.

The general routine of these Directors' meetings is of this sort:

The President, if present, takes the chair; if the President is absent some Director—generally the senior present, where there is no Vice-President—assumes his place. The records of the last meeting are read. Then a statement of the present condition of the bank is presented. After this comes a consideration of applications for loans, renewals, and of any business matters relative to the bank which may be pressing for attention.

These general business matters are of a great variety of character. New officers may be needed, and their selection must be attended to. Salaries may need revising. Vacations may need consideration. Lawsuits hanging over the bank may have to be talked over. The aspect of suspended and wavering debts to the bank may have to be discussed.

After the formal business of the Board, comes generally a very informal and semi-social talk over matters which sometimes have a business bearing and sometimes have not.

The records of these Directors' meetings are usually made by the Cashier; sometimes by one of the Board acting as clerk of their number.

The transactions should be neatly and concisely entered in a suitable book, specially prepared for the purpose. I know of no better form of making this record than this (see Form 71):

THE TENTH NATIONAL BANK.

MEETING OF THE DIRECTORS.

MONDAY, January 10, 1890.

Present: The President, and Messrs. Smith, Jones, Brown and Robinson.

Discounted, on personal security, $75,000.

A leave of absence granted to the Cashier, for three months, for a voyage to Europe.

Attest: W. RICE, Cashier.

Form 71.

For fear some junior clerk may think that my illustrative vote should have had a broader bearing, I will quote one that may suit him better which I recently noticed on the record of a large city bank under date of a little over thirty years ago: "Voted, that the bank be closed on Thursday next *in consequence of the great Exhibition of Horses and other Animals to take place on that day.*"

There is no need of entering upon this record book anything but the merest facts of the discounting, since all the details relative to those transactions will be found in their proper place in the other books of the bank.

Officers taking vacations (and all bank officers should take vacations) should send in to the Board meetings their applications for the same, stating proposed length of absence; and all such applications should be acted upon by the Board. It is very desirable that this matter should be attended to in this formal way, since, under such an arrangement, the bank knows just where its officers are, and fellow-clerks know when they are to be absent and when they are expected to return.

A majority of any Board of Directors usually constitutes a quorum for the transaction of general business; any number present a quorum for discounting, since all discounting is, sooner or later, pretty sure to pass under the inspection of all the members of the Board, and to be reversed and annulled—the paper somehow got rid of if possible—if any member of the Board is dissatisfied with it.

This matter of properly writing up its Board records is a legal obligation upon every National bank; and, when the bank Examiner comes around, he will, if he does his duty, look about and see if this work is rightly done.

DIRECTORS IN THEIR RELATIONS TO THEIR OFFICERS.

I have just said that a man should never accept the position of bank Director unless he is willing to accept all its responsibilities and attend to all its duties; and among a Director's highest duties and responsibilities I place those which have to do with his official relations to the bank's employees. The Directors have a right to demand of the officers prompt, efficient and most honest service. On the other hand, the officers have a right to expect that their Directors, who stand to them in the immediate light of employers, should take not only an employer's but a sort of parental, interest in them. They should endeavor to acquaint themselves somewhat with the out-of-bank habits, surroundings and general way of life of their employees. They should be ready to sympathize with them in those troubles which come to all, sooner or later, in those pleasures and successes of which they have a share, and should also extend to them as far as practicable, a social—a human recognition. They should try to become acquainted with their way of work in the bank, so as to be ready to encourage and commend faithfulness, and to discourage and correct laxity and carelessness. It goes

without saying that they should be ready to pay generously, promote constantly, and to extend to the worn and sick liberal furloughs, and to the hard working, well-stated vacations.

And, in my opinion, the great majority of Boards and bank Directors do come well up to the point of "filling this bill."

The bank officers who have been placed in positions of trust, honor and fair remuneration, by Boards of Directors, the average of which are of the character I have described, are guilty of extreme baseness and ingratitude when they violate the confidence which has been reposed in them; for, in cases of defalcation and breaches of confidence, the public is sure to throw some odium upon the Boards of Directors which have been chosen to select and supervise those officers, though in many such cases the Directors have done all that men in their position could do; for, place about a bank officer whatever guards and supervision you may, when once he has been put in a position of trust and confidence he can be a scoundrel and steal if he wishes to do so.

RELATIONS OF DIRECTORS TO DEALERS WITH THE BANK.

Their most important relations to customers have, of course, to do with the matter of making loans to them—distributing discounts.

A bank's first duty is to extend all reasonable accommodations in the way of loans and discounts to its depositors, whose line of deposits makes up an average of gross deposits, which is one of the chief loaning resources of the bank.

It is not stretching a figure to say that good depositors, when they borrow money of their bank, borrow their own money—in general terms—pay time interest upon loans of money which they have lent their bank on demand free of interest.

When a bank is in funds to discount, it should first endeavor to meet the wants of its valuable depositors; and, when this has been done, it is time enough to look about among the applications of outsiders.

The position of bank Director is certain to bring to its possessor one notable embarrassment—he is sure to be beset by frequent requests to use his influence at his bank to secure loans for friends and business acquaintances which he cannot accede to. I need only to hint to these friends and business acquaintances who are pressing the bank Director for loans at his bank, with which they may keep no account, that every bank Board is made up of many men with many minds; and, that, however desirous our individual Director may be to tide over the cash wants of his friends, delicacy, duty and other very material obstacles may often make him powerless to do anything in the premises.

SELECTION OF DIRECTORS.

This chapter opens with a description of the routine of election and organization as it annually occurs, but there may have been some preliminary work rendered necessary by vacancies in the Board which

have been left unfilled until the regular time for the annual election.

It is always somewhat difficult to find just the right material—to get the right class of men to fill these vacancies, or to enlarge the Board.

There are easily accessible—very close at hand—plenty of unsuitable men, who are more than willing to attempt to fill these most responsible and ability-requiring positions; but those fitted and, at the same time available, for these posts are scarce. In a word, business men, whose services as members of a Board of Direction of a bank would be of the most value, are generally least willing to serve there—the most difficult to be induced to take such posts. A deal of gratuitous work, unwelcome and wearing responsibility, and very little of what business men deem compensation, are the things which block the way to many a good man's acceptance of a Directorship in the National bank of the period.

Then, when a new Director is to be selected and elected, it is particularly to be desired that he shall not only be the right man in point of general qualifications, but that he shall be specially conversant with trade and credits in a branch of business which is not already well enough represented on the Board. So that the hunt for the right man, with the desired experience and antecedents is often a long and difficult one. Particularly is this the case in our large towns and cities, where many active competing banks have been absorbing in the building of their Boards all the best material to be found in the various branches of trade and finance in their vicinity. In such a case it is often the practice to tender to Directors of promise on Boards of small banks positions in the same capacity in the larger banks. There is nothing in this custom, if manly means are adhered to, that is not regular and commendable. Promotions are always in order, as well among bank Directors as bank Messengers.

Vacancies in a Board of Directors may be filled by the remaining Directors without waiting for a meeting of stockholders. In that case the Board talks over the matter, and, after deciding that it will be best to fill a vacancy, appoints a committee from their number to select a candidate. A suitable person being found, who is willing to accept the position, his name is reported to the Board, and there he is balloted for, and, generally, unanimously chosen.

This power of filling its own vacancies gives to Boards a close corporation aspect which is open to some objections, but objections which cannot easily be remedied.

And, in fact, in smooth-going times, in well organized banks, the whole matter of the selection of Directors is, in a majority of cases, virtually left in the hands of the Directors themselves.

There is no written law that they shall choose their own successors, yet such is the custom in very many cases with the very best banks.

When the time for the annual meeting comes around, the Board

looks about to see whether or not there are to be any necessary changes in its make-up. And it then selects for the shareholders a ticket with such retirings and additions upon it as circumstances have dictated. This ticket, which is apt to be a ticket in the best interests of the shareholders, is, in regular course, generally unanimously elected.

And the course I have described is not to be hastily condemned, since a good Board of Directors understands well the director-needs of the bank.

The idea of extending compensation—even more compensation than a mere attendance fee—is one worthy of more consideration than it has so far received in this country. The worst thing about such a plan is the fact that, under its workings, incompetent men would worm themselves into paying directorships simply for the purpose of securing the fees—taking positions where they are not needed for the pay which they need.

This abuse—this corporation blight—is a bad feature in London banking.

I have been told by London bankers that many an impecunious English lord would not be able to spend "the season" in London were it not that he had succeeded in getting positions as a titled dummy Director, on many Boards of bank and insurance direction. And I often noticed, while in London, studying financial aspects as revealed in London newspaper columns, the frequency with which the names of noblemen cropped out on the advertised lists of corporation Directors.

But here is a London "Times" advertisement pointedly illustrating this London Boards-of-Direction humbug:

WANTED, AS A DIRECTOR OF A JOINT-STOCK BANK, A GENTLEMAN of position. Qualifications nominal. Fees £500. Apply to SNOOKS & SNOOKS, etc., etc.

BANK PRESIDENTS.

Under the present banking system these are of many sorts; and it was just about the same under the old State banking system—a system with which I had a close acquaintance.

A hasty classification of the various types of these officials can be made in about this manner:

The first was made President because he was a wealthy man, largely interested in getting up the bank, and because he wanted the honor of the position. He drew no salary, did no real work, and had little fitness for bank management. He managed to put his rather cramped signature in the proper places, and his fondness for his name on bills, stock, etc., made him willing to endure the writing drudgery. His Cashier ran the bank under more or less personal supervision of the whole Board.

Another was chosen President because he was the ablest and most prominent man on the Board. He had business enough on his hands,

outside the bank, to kill two common men; yet he was ambitious, and ready to give a share of his strength to his bank. He drew a salary of $6,000 from the bank, and necessarily left much of the management with the Cashier. As for the Board, why, he was himself, in fact, pretty much the whole Board, for his colleagues were weaker men, prone to let him have his own way.

A third was made President because he had, in a civil service manner, qualified himself for the position by a life-long study and practice of banking. He had been through every position in a bank, from that of Messenger upwards. He was skillful, affable, strong. He gave his whole soul to the management of his large bank, commanding—demanding—the co-operation of his able Board of Directors. His capable Cashier was expected to be the executive head of the institution, and under him all the officers were expected to toe the line of duty. He was paid a salary of $10,000 a year, and fully earned it.

Bank shareholders have it in their power to select from this list of types the type of a President they will have to take care of their property.

The scope of a President's labors, particularly in the case of one at the head of a bank in a city or large town, has changed quite materially within the last thirty years. In some points his work and responsibility is less than formerly; in others more arduous and pressing. Business is more extensive and speculation more rampant than in the old days; and hence, in many respects, the average bank President of the period carries a heavier burden than did his predecessors of 1840 and thereabouts. As far as keeping up the loan of a bank in a large financial centre is concerned, there are aids at the command of the bank President of the present day which the old-time bank President could not avail himself of—could not because they either did not exist or were of such small importance that their help, if summoned, amounted to but very little. The helps which I have particularly in mind are dealers and brokers in negotiable paper and the mercantile agencies.

In very many instances in city bank management the intelligent and substantial private banking houses, which make a specialty of buying and selling business paper, run into the bank loans a very large percentage of the paper which is taken on. These paper-dealing houses make it a business, of course, to study up and keep closely acquainted with the means and standing of the concerns whose paper they negotiate, since their reputation and profits, in the long run, depend upon their own success and reliability in the matter of discriminating regarding the credits they handle.

The private banking house which has the name of being successful in placing uniformly good paper with the banks with which it deals—with which it has long dealt—has a good will as a business concern which is of solid money value.

The value of our well-established mercantile agencies as helps to

bank Managers in selecting paper for their loans, I have elsewhere fully discussed.

I can easily recall the time when we had no such agencies; I cannot now easily make out how we managed to get along without them.

While Presidents' duties have, in some points, been lightened by methods and machinery which have of late years been introduced into the banking business and into general financing, the work of Cashiers has, it seems to me, been increased.

In all that relates to what may be termed the internal administration of a bank—the management of the details of its business as transacted by the officers of the bank in its various departments—matters were never more complicated, more far-reaching and more extensive than they are at present.

There are to-day scores of banking methods, such as those of making call loans upon bonds, shares, etc., transferring money by telegraph, loaning between banks, buying and selling domestic exchange, etc., etc., which have sprung into existence, or, at least, increased tremendously within the period I have alluded to.

BANK PRESIDENTS' ENDORSEMENTS.

Our banks, in the conduct of their routine business, are in the habit of alternating the endorsements of Presidents and Cashiers as convenience may dictate. When the Cashier is present and has the time he is, of course, accustomed to endorse wherever upon checks, notes and drafts the endorsement of his bank is demanded. When he is absent from the bank, or for other reasons is not so placed as to be ready to give his name or that of an Assistant-Cashier, the President of the bank endorses as President, and in general business and among banks his endorsement is received as the equivalent of the Cashier's. But the United States Treasury Department has taken the ground that a bank President has no *ex-officio* right to thus endorse for his bank—that he can only do so where the by-laws of the bank or a special resolution of the Board distinctly provide that he shall discharge such a duty. This is a rather singular position for the Government to take. There is, as we have stated, a general idea among bankers that a bank President may, in the absence of the Cashier, perform the general executive duties of a Cashier. But the Government seems inclined to view him as simply the head of the Board of Directors, with the official duty of presiding at their meetings, serving as one of their number, and not by virtue of his office qualified to do much else.

CHAPTER XVIII.

SOME WORDS ON MANAGEMENT.

In the management of the details of a bank—in the general administration of its internal affairs—the head Manager and all his subordinates should aim to be as helpful and accommodating to their dealers and general customers as the rules of good banking and the customs and laws of business will allow.

Every bank officer should fully understand the bearings of all the banking questions that come before him for adjudication—should know the character of the rights and responsibilities involved in all the points at issue in the problems which may present themselves for his consideration. When he has found out just where he stands, he should, in all cases, endeavor to cut red tape as often as he can—to settle and dispose of business with as few blocks and delays on account of formalities and rules as possible.

The Teller came to the Cashier with a check which some bank would not pay because it held that a guarantee of a certain endorsement was needed. The Teller was confident that the check was all right without this demanded guarantee—thought the bank upon which it was drawn was wrong in asking for it, and was in favor of handing the check at once to the Notary for protest. The Cashier, on looking into this guarantee point carefully, saw that the check really did not need any guarantee. He also saw clearly that there would not be the slightest risk or impropriety, for the sake of collecting a check for a valued correspondent and facilitating business, in conceding a point to the rather contentious neighbor-bank which demanded this guarantee; so he promptly guaranteed the endorsement, the check was at once collected, and nothing more ever heard from it. This was helping business along in a manly and sensible way.

The Teller brought the Cashier a check which he said he could not collect from a neighbor-bank because they claimed its payment had been stopped by the drawer. The check had the appearance of being right in all points—properly endorsed and all that. The Teller suggested that it be protested. The Cashier divined that there must be some error or misunderstanding about the situation of the check when the parties to it ordered it stopped. Instead of returning it dishonored, he had his messenger hunt up the drawer, who was a well-known business man not far away. The drawer was found, and he readily and gratefully cashed the check himself. He had hastily stopped it, thinking it

failed to reach the right hands, when it really had only been slightly delayed in the mails.

These are only a couple of simple illustrations of common sense and accommodating practices in every-day banking—practices which should be the rule in all banks.

THE MOODS OF BUSINESS MEN.

A gentleman, seeking an executive position of responsibility through an advertisement in a leading metropolitan paper, states that among the qualifications which he possesses is a thorough acquaintance and experience with the moods of business men. He has certainly introduced a very suggestive expression into his card. Treating, as we do, of only the banking side of business, we use the text which the advertiser has furnished us in its application to bank Managers and bank management. Few there are that have had much experience with banks, either as sellers of paper or borrowers of money, who have not discovered that the success of their negotiations is quite often apt to depend as much upon the moods of the men who are at the helm of the banks, as upon the actual monetary situation of the institution approached or the real claims of the applicant.

This certainly is not as it should be. The ideal bank Manager is one who treats all who approach him with unvarying courtesy, and who never gives way to moods or is influenced by his own personal feelings. He moves squarely forward upon an abstract business line. He may feel reluctance in making a move of any sort, for some unaccountable reason, or he may have an unreasonable aversion to the medium through which applications reach him; yet, if he is a well-disciplined man of business who has learned, as every truly successful financier has learned, that his moods are not to be trusted, he looks cheerfully into all reasonable proposals for loans and discounts, and makes advances with the proper discretion, when his institution is in a situation to let out funds.

There come to all men hours of depression, times when trifles annoy, irritation seems almost a second nature and the drudgery of business something almost unendurable. Sometimes there are evident reasons for these moods. Illness, loss of sleep, anxiety over others who are in suffering, often causes the feelings described. But, whether the outcome of something that can be seen, or the result of influences so occult as to be undiscoverable, they must alike be kept down and suppressed, for there is no place for them in the lines of business. The borrowing and lending world must move on and keep these moods and feelings out of sight.

DEALINGS WITH STRANGERS.

There should be little need of emphasizing for alert and intelligent bankers the dangers and responsibilities arising from having bank transactions of any sort with strangers—with parties not known to be

honest and responsible. But I have recently had my attention kindly called to an incident in real life in banking, in a distant State, which applies so directly to the subject in hand, that I cannot well pass it by.

The bank Cashier, who was a most able manager, was sometimes in the habit of taking on new individual accounts in a rather indiscriminate manner—not holding it to be absolutely necessary to examine very carefully into the antecedents of any party who simply wished to deposit and draw and never to borrow.

When it was hinted to him that such a method in banking had its peculiar dangers, since it threw an unwonted responsibility upon Tellers, Book-keepers, etc., who might over-pay and give money credits, or in some other way get entangled with depositors who might not be able to respond, the prompt reply was pleasantly made, that bank officers should not make mistakes.

Now I think I shall be clearly understood when I say, that any theory or practice of banking which does not recognize mistakes as a part of the methods and machinery of practical banking is resting upon uncertain grounds. The best of bank officers must make errors; and, in the administration of any bank, this fact must be discounted.

But to the case in point with the bank which did not intend to recognize this liability as an element in banking.

Brown & Robinson kept an excellent account with this bank, and Brown & Jones also kept an account which, however, was not up to that standard, and they were also strangers lately incautiously taken on.

When these latter parties collapsed, the bank took little interest in their failure until it was found that their check-drawings upon the bank were upon funds that were not theirs—money that had been, by the mistake of a Book-keeper, credited to Brown & Jones, when it really belonged to Brown & Robinson.

There is nothing novel in such a complication as this. I only mention it because it is an illustration in clear type of a common class of bank misadventures—a class which would be much larger than it is, if most experienced bank Managers were not extremely careful about extending depositing facilities to unindorsed parties.

Even in the best managed banks, losses from misplaced credits must sometimes occur.

I have in mind a case where a rotten and failing country bank ran along for months with its reserve agent in a large Clearing-House city, upon heavy, misplaced credits of remittances—remittances which came from a strong bank bearing nearly the same name, with a final loss thereby to the city bank of many thousand dollars.

A DOCTOR FOR A BANK.

The Bank of England has a regular medical attendant who is one of the standing officials of that institution. His duty is what his title indicates. He daily goes his rounds among the officers of the bank for

the purpose of looking after their health. If an officer wishes a vacation on account of illness the bank doctor considers it his duty to make a confirmatory examination. He also considers it his duty to keep a constant watch over the condition and surroundings of the men in his charge so as to see that in sanitary matters everything is as it should be. It would be an excellent plan if some of our banks and other large employers of help would adopt this medical notion.

DEPARTMENT ACCOUNTABILITY.

In the administration of a bank it is extremely desirable that there shall be, between the various departments and the central management, as far as the daily details of business are concerned, what may be termed a responsive accountability, so that at the close of a day's work, the Manager may know just where all the cash, checks and notes which have been turned over to his institution by his correspondents and home depositors have lodged—just how the various items have been scattered among his several departments of work. The more perfect the system by which just accountability is established, the more safety in the general conduct of the business of the bank and the greater the readiness with which errors may be discovered at the close of the day when the cash is to be settled, and the final discharge of all the letters by checking and acknowledgment is to be brought to a conclusion. With these aims in view there is no better system, as far as the conduct of transactions with regular home depositors is concerned, than that which rigidly requires that all deposits of cash items and collections shall be accompanied by careful invoices and tickets—bills of particulars.

The letters with remittances of the usual variety that are daily coming into a bank should be opened by the Cashier or his special assistants, and then passed through the hands of the Tellers and Collection Clerks for the purpose of permitting them to take from the same the items belonging to them, and receipt by check or initials for the items taken. On the return of the letters to the Cashier he can see at a glance whether or not each letter has been fully discharged—all its contents duly receipted for—before he finishes its work by a final acknowledgment.

EVERYTHING EXAMINED.

One of the best rules ever established in a bank is that requiring that all clerical work done therein shall be examined—shall pass under the inspection of two pairs of eyes. This rule obtains in many of our largest and most systematically managed banks, is increasing in its adoption, and I see no reason why it should not be generally in vogue.

In all bank work, no matter how faithful and skilful the workers, mistakes will be made. Every bank manager ought to remember that it is just impossible for the institution under him to be run along without such. Every bank clerk should recognize the fact that to make more or less errors in his writings, his cipherings, his countings,

and his figurings, is to be, if we may so express it, a feature of his business—his general way of banking life. He cannot pretend to the possession of supernatural powers, but has a human liability to error. He should, therefore, do the very best he can and then study to acquire a habit—a temperament that is adapted to his work and its large responsibilities.

In the case of bank officers, as in the cases of many other wearing positions in life, it is the worry and anxiety, the fear and the fret that kills, and not the real work.

And a deal of all this mental distress and strain may be avoided by the establishment in the bank of a proper system of "doing things," and by the presence there of a wise, able and kind-hearted chief executive officer, who fully recognizes the truth of what I have said regarding the liability of every one in his bank, himself included, to make errors, and who knows enough and is enough of a Christian not to make himself a terror in the eyes of his subordinates.

Some of the worst bank defalcations I have known have been directly traceable to the fear of mistake-making subordinates, who have begun their irregularities by endeavoring to hide from Presidents and Cashiers innocent errors.

There is one other point that should be mentioned in this connection, and it is this: In making these inevitable errors of which I have spoken, bank officers should always be prompt to acknowledge their own responsibility in the matter, should never, either by word or inference, endeavor to thrust undeserved blame upon others, or spend much time and talk in framing excuses for their slips. Accept the situation, and go ahead and do the best that can be done in the future.

Referring to the idea with which this paragraph opened, I remark that the only system of bank work which will reduce the average of errors to the minimum is that which demands that every possible opportunity be taken to pass work through the hands of two officers.

FOREVER FORGETTING.

Cashiers, Transfer Clerks, Tellers, and others, in bank work, who are liable to be called upon to decide difficult points that are coming up from time to time relative to the rights and duties of parties to transfers, to notes, checks and drafts, are perfectly well aware of this difficulty in their business. In the first place, new points, of the character in question, are daily coming up. If the bank officers are alert, faithful and intelligent, they at once study into these new points —post themselves thoroughly regarding all their bearings—so as to be able to take intelligent action in disposing of them. It is quite likely to be the case, in many instances, that a very long time may elapse before they are again called upon to pass upon a case the situation and bearings of which are precisely identical with the one they have studied up and disposed of.

Every bank officer, for a long time in any particularly responsible

position, will fully apprehend, as he reads this paragraph, that we are quite correct in saying that one of the features of his business that gives him no little care is the fact that, from want of consecutive—frequent—practice in the administration of these various affairs of which we have spoken, he is forever forgetting and forever being obliged to return afresh to the study of old points in the methods of banking.

Go up and down any street of banks to-day and enquire of the most thorough bankers there to be found how you shall proceed—how act—in some difficult point of bank administration, in these matters of details of which I am speaking, and the discovery will be made that it is not easy to get prompt and clear information in the premises. You have forgotten, and they have forgotten, all about the *status* of the matter in question, because, may be, it is so long since the point has been up.

It is for these reasons, as well as others, that every bank should be well equipped in the matter of library and should have a superior class of banking reference books.

I have tried in these pages to put on record many points of information which bankers have forever been learning and forever forgetting.

PROPER DIVISION OF LABOR.

When practicable, where the bank is large and its business extensive, it is well to have separate officers for every department of work. Safety lies in this method of administration. The different departments, when managed entirely distinctly, and with proper system, act as checks upon and guards of each other. The situation under such methods is such that irregularities and defalcations become almost impossible except when two or more dishonest officers work in collusion. But if various kinds of bank work are to be combined under one department great care should be taken in making up the mixture. Some combinations are comparatively safe while others are exceedingly dangerous.

If a bank finds itself able to get along with one Teller—an officer who shall do all the paying out and receiving—such an arrangement can be made without incurring any of the risk which might exist if the combination was of a different type. But it is always objectionable, on the grounds explained, to put the work of a Bookkeeper and Teller in the hands of one officer. It is desirable for the same reasons that the discount and collection departments, which can if economy demand be combined together, should be kept distinct from and independent of the receiving and paying-out departments.

In the largest banks, where there are systematic divisions of labor under many heads, there will be changes and substitutions growing out of the illness and vacations of its officers. In making the shifts and transfers which become imperative under such circumstances Managers should carefully bear in mind the necessity of avoiding, even

for short periods, unsafe combinations. Officers who are transferred from one department to another under pressure of necessity should be careful to see that the work they enter upon is well arranged and in an honest condition when it is turned over to them. A Teller should not expect any officer to take charge of his cash until there has been a mutual examination and proper certainty that the cash is all right at the time of the new departure.

THE BANKING CONVENIENCES OF TO-DAY.

The banking interests of the country were never in more competent and more honest hands than at the present time. And the present National banking system is indisputably the best that ever existed in this or any other country. It is, beyond comparison, the superior of the old State banking system of New England and other localities, which in former days commanded no small share of public admiration.

And in another direction the most astonishing advance has been made. And that is in the application of the various improvements and discoveries of modern times to what we perhaps rightly term the mechanism of banking. What marvellous changes have been made since I first entered a bank in our machinery and in our methods of running the same!

To-day, as I close my bank at two o'clock, I find I have hundreds of thousands of dollars in New York that should be in Boston. I hand my porter a short telegram, and, when I reach my desk to-morrow morning, I find thereon the hundreds of thousands in gold, greenbacks or checks, that have come humming home to me during the silent watches of the night, by express or mail, which have thus completed the work of the telegraph.

I receive a cipher telegram from the Pacific coast, and I pay to the San Francisco merchant, at my counter in Boston, a balance which he has on deposit in the Great Western Bank, in San Francisco, and he goes on his way rejoicing.

Under the deep waves of the Atlantic stretches a wire that brings me at any moment the last quotations for United States bonds, Consols and money in London, and executes money transfers for me as easily as I cash a Boston check.

I wish for the very latest New York quotations of the stock market, and the ticker at my hand reels them off for me with automatic precision.

I am asked to make a negotiation with the Stock Board, or with banks or bankers of my own city, and through the telephone goes all that is needed to complete the trade.

I am honored, Mr. Publisher, by a call from you at our bank; and, at a touch of a signal electric wire, running under the floor from the side of my desk to the bronze door of my private office, the door flies open, and you enter; and, when you leave me, you are "fired out" by the same sort of lightning.

I grow weary of writing, or am impatient over its slowness, and the

stenographer comes to my relief, with his complement the type-writer, and the hektograph man and the lithograph man are not far away, each ready to multiply with wonderful ease any written words.

Vaults of the finest steel, and of the most substantial character, with huge doors that seem to swing on golden hinges, close upon our treasures, as if by magic, with combinations that are keyless, guarded by burglar alarms that are electric.

So I might go on with the list of improvements that have been made in the field we are surveying.

The last half of the nineteenth century has witnessed, in our line, progress very similar to that noted in almost every other quarter.

Let us, who are still in the harness of business, and those who are so soon to be our successors, see to it that all this fine business machinery, which I have attempted to describe, is well manned, and all these complicated methods of business, which I have endeavored to explain, well-managed and, if possible, improved. And let every endeavor be made to keep high the general tone of business of the times in which we live and work.

ECONOMIZING TIME.

Mr. Gilbart writes so well on this point that I must quote from him:

"A banker should know how to economize his own time. One mode of doing this will be, as we have intimated, to assign inferior duties to others. His accountant should keep his books and make his calculations. His secretary should write his letters (except those of a private or confidential nature), and he should only sign them. His chief clerk should attend to the discipline of the office.

A banker at the head of a large establishment should not only be acquainted with the art of banking, but he should also be acquainted with the art of government. He ought to put a clever man at the head of each department, and reserve to himself only the duty of general superintendence. He should give these parties a pretty wide discretion, and not encourage them to ask his instructions about matters of comparatively trifling importance. If he does this they will never learn to think for themselves—never feel that wholesome anxiety which results from a sense of responsibility and never acquire that decision of mind which arises from the necessity of forming an independent judgment. Consequently they will be less useful to him in their present position, and never become qualified for higher offices."

INCIDENTAL EXPENSES.

The incidental expenses of banking sometimes run away with the profits of the business. This became a very apparent fact during an era not long past when it was the general fashion to build extravagant banking buildings and to fit up banking rooms, which should always be plain and solid in their leading features, in the most showy and ornate style. There is ever a tendency among employees, of

corporations at least, towards carelessness, if not extravagance, in incidental expenditure. In bank management there is special need of watchfulness against this drift. There is something rich in the sound of the word "bank" to the ears of the traders who cater to the various incidental wants of the bank, and it has become a matter of common opinion among bank Managers that they are in danger of being charged a little higher in some instances simply because they are a bank—an institution which some seem to consider as made of money.

Purchases of bank supplies are often made by subordinate officers, because they know just what they need, when the things bought are for use in their own departments.

It should be a rule with bank officers never to buy for the bank any article which it does not really need, nor more of any given article than is really necessary. And in purchasing they should use the same degree of care in the matter of price that they would if they were making the purchases for their own home establishment.

Though buying of the sort I have described may sometimes fall into the hands of the clerks, no bill should be paid and no expense charge entered upon the books of the bank until the same has been approved by the President or Cashier of the bank. This formal approval can be made upon the bills when bills are taken; but when purchases are made, or expenses of any sort incurred which are not represented by a bill, an entry should be made upon a charge ticket, and the Book-keepers instructed not to enter any charge ticket which does not bear upon its face the formal approval of the President or Cashier. The charge ticket should be a regular printed form and always on hand,—it may be as simple as this (see Form 72):

TENTH NATIONAL BANK, of Chicago.

May 5 1890.

CHARGE Expense Account

Legal Expenses paid A. & B. in suit against Smith & Young,	$250

Approved, E. J. K., Cashier.

Form 72.

ADVANCED IDEAS AND METHODS.

In the arrangement of the methods and machinery of banking, our bank officers should steadily endeavor to keep up with the times. "Keeping up with the times" is a rather abstract expression. Perhaps I might say, with more propriety, that banks should ever be on the

alert and ready to adapt themselves to the changes that are constantly going on in the outside business world. Trade, commerce, speculation and manufacturing are steadily increasing almost everywhere; and the methods of conducting these various branches of business are every day changing. Banks must keep step with the procession.

In an active bank, hardly a day passes without developing some new phase of business; and new phases of business demand new phases of banking; and that is the most successful and the most useful bank which most rapidly adapts itself to the times—places itself in the best condition for meeting the reasonable demands of the business community.

It is not easy for a bank to stand still in these days; it must either go ahead or fall behind.

The situation of the Bank of England is to-day quite an interesting illustration of this point. In visiting that old bank, I could not fail of noticing the presence there of an air of extreme conservatism in methods of doing business. Every thing in and about the bank, in arrangement and methods, seemed to me extremely old-fashioned. But the immense increase of the bank's business is now demanding of it an unusually large amount of clerical work. The venerable institu- is making spasmodic exertions to adapt itself to the demands made upon it. It seems to desire to move with the times. It has recently undertaken the inscription of a large number of new colonial loans and the banking conduct of many new issues. But the old bank is so antiquated in its methods and machinery, has been so long in the ruts and has so many slow old clerks, that Londoners complain that it can not cope with the details of the work that has come upon it, and are growling over its slowness in making transfers, conversions, etc. The venerable clerks of the Bank of England are really in danger of being driven out of their respectable senses by the great press of new work the times are bringing upon them.

OVERWORKING BANK OFFICERS.

This is but another term for defective management. There can be few worse errors in the administration of the internal details of the bank than that of so arranging the help and duties of the various departments as to throw upon faithful, skillful and patient clerks too severe labors, too long hours, or too much responsibility and strain of mind and body.

There have been many instances in banking, particularly in the large cities, where banks have for long periods, and through eras of great business pressure, been run with staffs of officers of altogether insufficient strength for the duties falling upon them. This method of management is always sure to prove in the end the poorest sort of economy.

Good officers, ambitious of doing their very best, are, under such an administration, prematurely broken down. Others, who are less faithful, lose all courage and ambition under the undue pressure and

confusion of the situation, and fall into shiftless and inefficient ways of work. Vacations, which should always be provided for in every bank, are broken in upon or entirely abandoned in these short-handed banks, and the general way of work there becomes a weary tread-mill sort of life. The bank in the end is as much a sufferer from this mal-administration as the employees, for frequent break-downs of good clerks occur, with the result of bringing in untried and inexperienced workers. Even aside from illness, changes in the working corps of such a bank as we are describing, are apt to be frequent; for every man there, of ability and ambition, is steadily watching for a chance to get out of his bad place, and embraces the first hopeful opportunity to make a change.

A bank situation, such as I have here described, comes under the observation of many an experienced banker—it is no fancy sketch.

The responsibility for this most uneconomical sort of administration of affairs almost always rests with the Chief Executive of the institution, who, in such cases, is quite sure to be a man who has not proper ideas of bank management, as far as details are concerned—who is really destitute of the executive ability necessary in his position.

Somtimes the evil ways we have spoken of grow out of a want of proper feeling and consideration for subordinate officers on the part of Presidents or Cashiers. It is but rarely that the Directors are to blame in the matter.

A good motto for any bank is this: *Give no officer too much work or too little pay.*

BANK OFFICERS' SALARIES.

I might carry out the very good principle of giving in the fewest words the greatest possible amount of information, by the simple statement that bank Cashiers and bank clerks should be paid for their services—not under-paid, not overpaid, but simply paid.

I am not prepared to say that the bank clerks of the period are underpaid, neither am I inclined to say that they are often overpaid.

It is possible that a few hints of value may be thrown out by considering for a moment the character of the services rendered by the laborers in question. A sense of justice prevails in the average business employer in circles of trade and commerce, general financing and banking, and failure to recognize and compensate help in these various departments of work comes more from a want of real knowledge of the value of services rendered than from any other single source.

In the matter of services rendered by workers in banks, here are some points that deserve attention—points which I present with little regard to the order of their setting forth:

A bank officer, competent to take an independent position in a bank—to manage a leading department—must be a man of good intellectual abilities, fine address, excellent English education, and of unswerving

integrity of character. To do the work well in such a position as we have in view requires a banking education; that is, the officer who steps into a place of this sort almost invariably steps out of what may be termed a long service of apprenticeship in which he has been able to earn only an apprentice's salary—the pay of a junior clerk. He is quite apt to reach the good place when well on in manhood, and, if he have average health and strength, the years that remain to him ere he wears out or becomes in the natural course of things less able than he once was to swing through the work of his highly responsible position, are none too many for him in which to do the work of putting by a little something for the rainy day which comes to all such workers.

Again, the bank officer has to give bonds—bonds which are really costly to him whether furnished by paid guarantee companies or by generous friends. In the one case he pays money for them; in the other he reluctantly places himself under obligations which cannot be counted for nothing.

The social position of a bank officer—a social position which may be said to be directly consequent upon his occupation—entails upon him expenses which cannot be shaken off. He must dress well, be well associated out of the bank, and in countless ways have expenses thrust upon him which he could easily shake off were his position a less prominent one.

I shall not claim originality for these points and am glad to be able to quote from others in my support. I know of no better presentation of the subject than that made by John Stuart Mill in the following from his "Principles of Political Economy:"

"A clerk from whom nothing is required but the mechanical labor of copying, gains more than an equivalent for his mere exertion if he receives the wages of a bricklayer's laborer. His work is not a tenth part as hard, it is quite as easy to learn, and his condition is less precarious, a clerk's place being generally a place for life. The higher rate of his remuneration, therefore, must be partly ascribed to monopoly, the small degree of education required being not even yet so generally diffused as to call forth the natural number of competitors, and partly to the remaining influences of an ancient custom, which requires that clerks should maintain the dress and appearance of a more highly paid class. It is usual to pay greatly beyond the market price of their labor all persons in whom the employer wishes to place peculiar trust, or from whom he requires something besides their mere services. For example, most persons who can afford to, pay to their domestic servants higher wages than would purchase in the market the labor of persons fully as competent to the work required. They do this, not from mere ostentation, but from reasonable motives—because they desire that those they employ should serve them cheerfully, and be anxious to remain in their service—because they do not like to drive a hard bargain with people whom they are in constant inter-

course with—and because they dislike to have near their persons, and continually in their sight, people with the appearance and habits which are the usual accompaniments of a mean remuneration. Similar feelings operate in the minds of men in business with respect to their clerks."

Mr. Gilbart adds:

"There would be considerable difficulty in apylying the rules laid down by political economists with regard to the wages of labor to the case of bank clerks. A banker does not hire a clerk because he is the cheapest man he can get, nor does he dismiss him as soon as he can get another man to do the same work at a lower price. He would not find it to his interest to do this; for his work is of a peculiar kind. His clerks must have a certain degree of education, and of manner, and be taken from a certain class in society. They are not allowed to engage in any other employment. They have to maintain a respectable appearance. They must be qualified not merely for the lowest post in the bank, but must be prepared to take higher posts should vacancies occur. And in every post they are entrusted with a large amount of property, and upon their integrity and prudence much reliance must at all times be placed.

All these circumstances serve to show that, in fixing the amount of their salaries, the banker should be anxious to err (if he errs at all) on the side of liberality.

BANK CLERKS AND MARRIAGE.

The young man who in this country applies for a situation in a bank, where the position is a subordinate one paying but a small salary —a salary fitted to a low round in the ladder of promotion—is often asked by Managers and Directors a great many questions relative to his general way of life, surroundings, home status, whether he is married or single, etc.

But beyond these preliminary investigations, which often have considerable to do with coming to a decision regarding the fitness of an applicant for a position in a bank, there is not apt to be a very close inspection of the home ways of bank officers. Once in a position in a bank, the junior officer, who has entered the service as a single man, takes the question of whether he shall get married into his own hands and on his own financial responsibility without consulting Boards of Directors or any one else. A junior officer who becomes a married man, if he is a promising and deserving young man, is quite apt to receive from observing Directors a recognition of his change of circumstances in the shape of a slight advance in salary, an advance which is often repeated when, as time passes, the young clerk becomes more and more a family man.

This is about all there is to be said regarding the relation of banks as employers to the question of the marriage of bank officers.

In England matters in this regard take on a different aspect. This

point is amusingly illustrated by the following significant paragraph from a London newspaper:

The London and Provincial Bank has passed the following resolution:

"The Board being of opinion that it is on many grounds inexpedient for clerks employed by the bank to contract marriages on insufficient means,

"Resolved, As a general rule, but subject to any exceptional circumstances which may induce the Board to dispense with such rule, that in future, if any member of the staff whose income is less than £150 a year shall marry, he shall be disqualified from continuing in the bank's service, and will accordingly be required to retire from it."

An American Board of Bank Directors which should pass a resolution of this character would be pretty sure to follow it up, in case of the marriage of a clerk whom they esteemed, with a vote at once raising his salary to the sum which they had decided was sufficient to support a family.

BANK OFFICERS' VACATIONS.

All bank officers should be given vacations of at least two weeks annually. They are of advantage to the bank because they give an opportunity to deputize the work of absent officers to new hands, a change which is a benefit to the institution, since it absolutely interferes with the existence of any rust of management or the prevalence of dishonest practices in the department into which the fresh worker is introduced. Vacations are good for the employee because they recreate his mind and improve his health, rendering him the better able to do the work of his position when he returns.

In organizing the staff of a bank, these furloughs should be kept in view, and it also should be fully borne in mind that there is another contingency to be thought of, and that is the liability to illness, which a distinguished writer has described as being one of the most prominent of the wastes and burdens of life.

Officers should arrange among themselves as far as possible the time of their annual furloughs, that is, just when each shall go; but these arrangements should be subject to the advice and approval of the management of the bank, the Board of Directors voting formally on each leave of absence so that there shall be on the Directors' records a minute of the period and length of absence of each officer.

The Cashier should see that arrangements are made so that no one officer shall do more than his share of the extra work arising out of vacations. It is generally an excellent plan for the officers to have an understanding so as to be able to arrange this matter, also, among themselves, subject, of course, to the revision and supervision of the Cashier. Where there is not a sufficiently strong force to carry along vacation work in the way suggested, outside help should be generously taken on. In our cities and large towns there are always substitutes anxious to obtain vacation work.

In some banks there is shown such a degree of parsimony in arranging work for the purpose of allowing vacations that the officers who are worked too hard on their return to make up for lost time and

who do their own and other's work during vacation seasons would, if they had their way, do away entirely with their annual periods of absence. In banks where the situation is of this character the long Summer months which are generally the periods of bank vacations are looked forward to by the clerks with anxiety rather than with pleasure, and they all breathe freer and feel a sense of relief when the vacation season is over. The fault in such cases often rests with some chief executive officer who, from want of judgment or absence of proper sympathy, does not use his influence to see to it that the bank in his charge has help enough of the right description. It is very poor economy to run a bank short-handed, and neither the shareholders who own the bank nor the Directors who represent them are apt to favor such a policy.

It has been urged by some very intelligent bankers, and others who have given this point attention, that bank officers' regular vacations, which take them away from their customary duties for a couple of weeks or so every year, are of questionable advantage to them, since these absences from work so throw them out of the habit of doing their regular, daily routine of labor at the bank as to render it very hard for them when they come back into the harness. Without doubt there is some force in this objection. And it may also be said in further argument of the same tenor, that the bank officer, in returning from his long vacation, which may have left him a little out of practice at writing, ciphering, and counting money, generally finds that he must at once bend to double work, for it is vacation season, and his return is likely to be the signal for some other officer to leave for a furlough of the same sort.

A writer in "Blackwood" not long ago took the ground that it was very poor policy for bank officers, professional men, etc., who have very regular daily duties, to leave them for vacations of longer than a day or so at a time, until the period arrived when they could throw down their business and retire permanently; and the reasons advanced by this writer were about the same as those I have just named.

But, notwithstanding these and other arguments in the same line, the privileges of bank clerks in the way of vacations are steadily, if slowly, increasing, and properly so.

The constant tendency is toward seeing more and more clearly that to work well the worker must have occasional periods of rest and change, and the bank clerk, with all the other workers, is the gainer by this growing sentiment.

It is well to consider all these points, but I am far from willing to acknowledge that the arguments against vacations which I have just quoted are of a convincing character. The mental stimulus to a bank officer (whose daily routine of work must inevitably be of a monotonous and wearying character) of a couple of weeks in a year entire absence from bank work, is of so beneficial a value as to be with

difficulty overestimated; and no bank officer who has opportunities for such a change and relief should ever fail of taking advantage of them. There is little need in such cases of his traveling far or spending large amounts of money. What he specially needs is change of scene; and, if he is a city man, and the season is propitious, he cannot do better than go into the country and enjoy nature's green fields, woods and skies - taking his family with him, if he is so fortunate as to have one, giving them also a season of rest and change, and, in new scenes, cultivating an acquaintance with them that is undisturbed by daily absorbing business cares.

Bank officers, long in the ruts, and with many hooks that bind them down to regular home duties and cares, often find it difficult to start on a vacation, and often say they don't know where to go. But it is certainly very evident that the man who thus places himself completely under the harrow of business is most in need of being shaken out of the grooves in which he has fixed himself—is really most in need of a vacation when he is the most averse to taking one.

In the matter of the length of vacations, here is an idea which I picked up in the Bank of England. That institution has to-day one thousand employees in its old headquarters in Threadneedle street. I do not count the officers in its branches. At one time, say in 1820, it had 1,300 employees. The average number of employees away on their holidays, all the time, is fifty.

Think of it, a steady absence of fifty officers on vacations. In our banks, where the numbers employed are comparatively small, one or two is the average number away.

But, I started to say, that in the Bank of England these grants of holidays are of unequal length—are graded according to the time in which the officer has been at work in the Bank,—the oldest workers having the longest vacations. It seems to me there is an idea here worth looking into on this side of the water. It may be that the veteran officer is not only entitled to, but really more in need of, a longer vacation than the lively young junior clerk.

But I will not attempt to do more than throw this matter out for the consideration of my experienced banking readers.

Here is another vacation idea which may seem sensible. Why may not large banks so arrange vacation matters that at least one of its officers shall each year have a longer vacation than the others—say time enough to get a little more than the usual rest and change, and to go a longer journey during the furlough? The officers could arrange this little matter among themselves if so permitted; and, in time, all would have the extension without setting up any troublesome precedents for others to find fault with.

BANK HOURS.

In New York the banks open at 10 o'clock in the morning and close at 3 o'clock in the afternoon. In Boston the banks nominally open at

9 o'clock in Winter and 10 o'clock in Summer. But, under the Clearing-House arrangements of that city, settlements are made at 10 o'clock all the year round, and so its banks may be reported as opening for business at about 9 o'clock in Winter as well as in Summer, since a later hour of beginning work would not give them time to get ready for the Clearing-House.

With two or three exceptions the banks of Boston shut at 2 P. M. A few of its banks keep open until 3 P. M. There have been periodical attempts made during the last thirty or forty years, if not longer, to establish a custom of keeping all the Boston banks open until 3 P. M., after the New York style. But it would hardly seem consistent to adopt New York bank time at the end of the route—as far as closing business is concerned—and not follow New York bank time in opening business. But it will be a long while before Boston falls into the habit of not buckling down to business before 10 o'clock in the morning, as is the New York way of business life. Boston is decidedly an hour earlier than New York in its morning business habits, and is, therefore, consistent in shutting its banks at 2 P. M. instead of 3 P. M. It is just as natural and easy to do Boston's banking business between 9 and 2 o'clock as it is for the New York banks to do theirs between 10 and 3 o'clock. In either place there is a large class of dealers who would always be late were the banks to run until midnight.

In the cities of the South and West the banks generally run on New York hours—10 A. M., until 3 P. M.

In country towns, everywhere in the States, banks are in the habit of shutting up awhile at 12 or 1 o'clock for a dinner hour for the officers, though the habit is by no means general. This is a good method, looked at from a dietetic stand-point. The old-fashioned hour of meals, which gave a dinner at noon-day, can not easily be improved on.

About half the bankers of the United States are under the harrow of dyspepsia, caused by the want of a good dinner at the proper time. Too many of them run along year after year doing long hours of work in the time that stretches between the opening and closing of their banks on the poor support of a light breakfast eaten in haste with little appetite.

Closing the banks on Saturdays at one o'clock, or even earlier, has always seemed to me an excellent idea, particularly for those located in cities or large towns.

It is very proper that New York, our great financial centre, should inaugurate the half-holiday idea in this country, and when its success is clear, doubtless other localities will follow with similar legislation.

The London bank clerks have recently petitioned their various Boards of Directors to close early on Saturdays, and the press of London has favored this early-closing plan with considerable unanimity. The bank Managers and many of the merchants oppose the move, and its

success is doubtful. The bank officers of London, and of the United Kingdom generally, work long hours. They do not commence as early as here, but they usually work later. Their general habit is to get a solid lunch at about one o'clock, and to dine at six o'clock. The six o'clock dinner is a very substantial affair in England, and is not followed by much more in the way of evening teas, lunches, or suppers, except in the case of fashionable, unbusiness people, who turn night into day, going often, in the "season," to both the play and parties on the same evening. The last-named classes do not think of going to bed before midnight, and sleep late in the mornings, but these habits of sleeping are not those of the bankers and merchants of London.

The legal view of banking hours is very clearly set forth in the following case:

The bank which held the unpaid, matured and endorsed note handed it to its Notary to protest at 2:30 o'clock, which was half an hour after the regular closing hours of all the banks in the place. The note was drawn payable at a neighbor bank, and at a little after 2:30 o'clock the demand was there made, and notice of its non-payment sent promptly thereafter to all the endorsers. At the hour of the notarial presentation of this note to the bank where it was made payable the doors of the institution were open, and several of its leading officers were there busily at work, one of whom seemed to have sufficient knowledge and authority to answer the demand with a prompt and decided reply of "no funds." So far so good. But the note, which was one with a very bad promise, was destined to give its owners considerable trouble with its endorsers. The endorsers, wishing to evade their responsibility, availed themselves of the point which had come to their ears that a demand had not been made upon its promisor for payment at the bank where it was made payable during that bank's regularly advertised business hours. A long legal contest followed, which brought up for pretty thorough discussion and decision the questions of what are a bank's regular hours of business and who and what fixes the same.

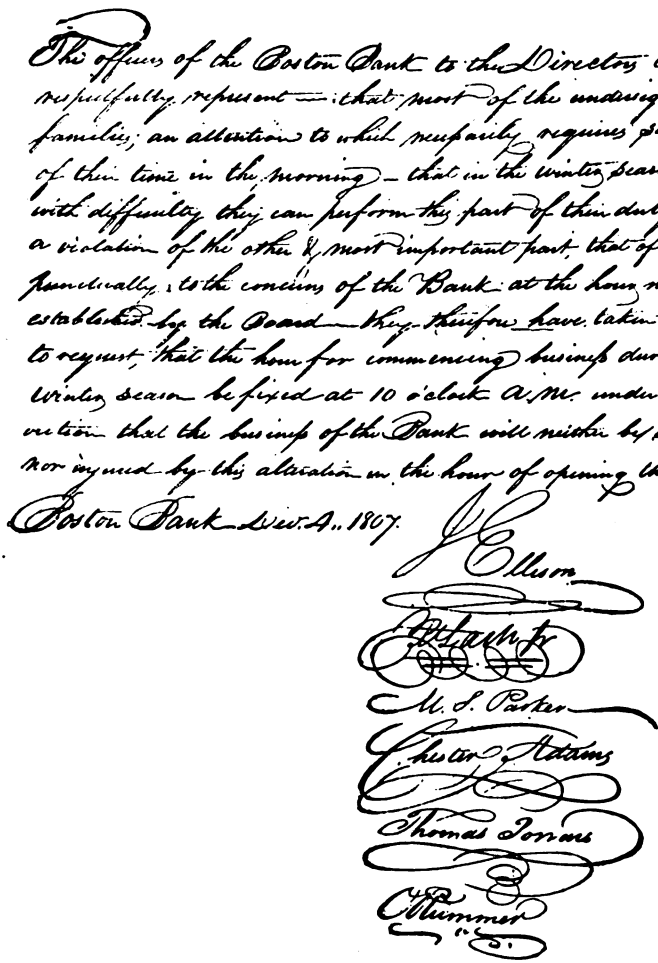
There are no statutes defining the business hours of a bank. The Directors of a bank, by by-laws, declare that certain hours shall be kept by the bank in its general dealings with the public and in its business of receiving deposits and paying checks. Custom regulates all keeping-open points outside of these by-law hours.

In the case we have reference to, the Court finally very justly and correctly ruled that, if a bank was in the habit of keeping open until a certain hour after its defined time of closing, and responsible officers were in the habit of staying in the bank to attend to their duties up to that hour, ready and competent to respond to such demands, a notarial demand made at such an hour was a binding one.

In old-times—in ante-Clearing-House days—the Boston bank officers did not, as a general thing, do a great deal before 10 o'clock in the

morning. Their custom in this regard may, possibly, have been set up early in the present century.

The following curious document (see Form 73), bearing date at that time, throws a little light on this subject as well as on the ways and manners of the Boston bank clerks of that early period when there were only two or three banks in Boston. The paper tell its own story:



Form 73.

The following was voted at the next meeting of the Board of Directors:

Voted, In consequence of the application of the officers of the bank that, until the 1st of April next, the bank be opened at 10 o'clock in the morning,

Voted, That the good conduct of the officers of the bank, so far as the same has come to their knowledge, merits the entire approbation of the Directors, and

that the said officers respectively be requested to accept the thanks of the Board for their attention and assiduity.

Voted, That the Cashier communicate the preceding votes to the officers of the bank.

This petition and the reply to it certainly show a kindly feeling on the part of both officers and Directors of this most excellent old bank —a bank which still does an active business, and stands, as it has always stood, among the first in its city. Every man who signed this paper is dead. But many of these petitioners were well-known to the bankers and business men of the present day. Some of them afterwards became very prominent bankers.

Mr. Lash lived to be the oldest active Book-keeper in Boston.

M. S. Parker was Cashier of the Suffolk Bank, at the period when it was conducting what is known as the "Suffolk Redemption System."

Chester Adams was afterwards a prominent Boston bank President.

BANK LUNCH-ROOMS.

Bank lunch-rooms are a more common thing with us than they were in former times. In fact, twenty or thirty years ago such institutions were hardly known at all in this country.

The Bank of England has a very fine dining, or lunch-room, where all its many hundred employees are served with an excellent mid-day meal. I had an interest in looking at the arrangements of this commodious eating hall when I visited the old bank, and I found its arrangements of the neatest and most attractive character, and the food served most excellent, though plain. Beer, bread, cheese and cold meats were the principal articles served.

It is not desirable to have bank officers out of the bank—or, at least, out of immediate call—during bank hours.

In banks where the working hours are long, it is certainly an excellent idea to have a lunch-room connected with the banking rooms, and furnished, at the proper time, with a substantial lunch for the officers—a lunch to which they can repair in turn and enjoy it at their ease, being allowed a reasonable time for it, which reasonable time can be all the more conveniently allowed by the bank since it has its officers right at hand in case of a sudden demand for any one of them.

I have mentioned beer as being, of course, one of the substantials and inevitables of an English banker's lunch. Beer is certainly rather a mild stimulant, and there may be something in the English climate that conduces to English beer consumption, and possibly to its innocent consumption. But I am writing for this side of the water. Here my latitude is certainly wide enough. And I have no hesitation in saying that the American bank clerk is better without than with stimulants, be they mild or strong. The bank officer, in health and strength, is the last man that should indulge in their use. He needs, pre-eminently, a clear head and a steady hand, a cool grasp of his

business, and the steady presence of all the best faculties of his nature. Of all these he is more sure if he carefully puts aside all stimulants.

Where bank hours are not long, it is better for the bank officer to eat but little, if anything, between his breakfast and the hour when he can shut his ledgers and turn the keys upon his vaults. In order to stand up well under the long strain that comes upon him, as he toils at the bank from morning till dinner, he should endeavor to grow into the habit of fortifying himself with a substantial breakfast, and as I have elsewhere said may acquire appetite and a relish for this meal by early rising and a taste of out-of-door life in the morning.

TREASURY AGENTS.

Treasury agents for National banks, whose duties are to witness the destruction of bills redeemed and to make annual examinations of United States bonds on deposit at Washington as security for circulation, are formally selected by the banks themselves, and under Sections 5166 and 5184 of the Revised Statues of the United States are duly made their attorneys for the discharge of the commissions we have described.

With regard to the matter of selection and giving commissions to these agents there is a point which needs a little explanation. The Bank Act provides that they shall be chosen and made the banks' attorneys under such regulations as the Treasury Department may establish. The Treasury Department simply forwards to the banks a blank commission for these agents which is to be filled out and signed by the Cashier. The proper procedure in such cases is for the Directors of the banks, by a regular vote, to make a selection of their agents, and authorize the Cashiers or Presidents to sign the papers making them their agents for the work in question.

It may come within the scope of the regular duties of Presidents or Cashiers to sign, as representatives of their banks, documents constituting parties their bank's attorneys for some routine duties, such as completing transfers; but where a selection and action of the character we have described is to be undertaken a regularly recorded vote of the Board of Directors is a more proper course.

This matter of selecting these Washington agents has grown to be such a routine business with the banks that it is possible they have not in all cases given very close attention to it. Very particular care should be taken, and only men of the highest standing in point of character and experience should be selected for the duties.

Our banks should also bear in mind that these approved agents hold themselves in readiness to furnish early Washington information regarding any matters of special interest to the banks. They are as a class gentlemen of wide experience and large intelligence in banking matters, and their facilities for investigating points in banking which have a Washington bearing are quite extensive. They all undertake to furnish information to their patrons on bank matters without

charge. Their regular schedule of fees for witnessing the destruction of bills and examining bonds is as follows: Banks with a capital of $100,000 or less, $5 per year; banks with a capital from $100,000 to $200,000, $10 per year; banks with a capital from $200,000 to $400,000, $15 per year; banks with a capital from $400,000 to $500,000, $20 per year; banks with a capital over $500,000, $25 per year.

AGENCIES OR BRANCHES.

The branch bank is to be seen in perfection under the English banking system; and in Canada, and in other of the British colonies, the methods of the mother country in this regard have been fully copied. Our National banks—in some points only branches of one great central United States bank—are in other respects separate, individual organizations. Those of them having a large capital, and established in the great cities where money is apt to centre, sometimes agitate the idea of setting up branches in towns and cities in outlying States where rates for money rule high, and where the financial wants of the communities are of a pressing character. There seems to be nothing in the Bank Act to prevent such movements, yet from the first the banking department has set its face against such branching-out ideas.

The plan of transferring stagnating capital of large and well-managed banks from such points as the great cities of the East, where extreme difficulty is sometimes experienced in keeping up their loans on home investments, to branches in new and rapidly growing points in the far West, where paper is clamoring for discount, has certainly much that is attractive about it.

BANK ATTORNEYS.

It is an excellent idea for every bank to have—what it is very common for the banks in New York, Chicago, Boston and other leading places to have—a special lawyer of their own. And it is not a bad plan to have him retained by the year, at a regular salary, with, of course, the understanding that, in case of emergencies arising from the precipitation of an extra amount of legal work upon the bank, he shall have assistance retained and paid for by the bank. The advantages of keeping a regularly salaried solicitor are almost too evident to be described. There is hardly a passing day in an active and intelligently managed bank that does not bring with it some new question in banking, and many of these questions have complicated legal aspects which could, with a deal of satisfaction, be referred to the solicitor.

Then again, in every live bank, the officers, from the President down, are on the alert to learn all there is to be learned about banking; and an easy and ever-present contracted-for opportunity for any one of these officers to talk over the questions of the legal rights and duties of bank and dealer in such matters as the management of business paper, transfer of shares of the bank, and shares held as collateral, etc., etc..

would be of great advantage to all concerned. As it is, those banks that, for the sake of economy, run along without any attorney, are placed in the undignified position of often being obliged to steal their law from casual legal customers—picking up, in some cases, no doubt, carelessly expressed judgments, given without any sense of paid-for responsibility—what old Chief Justice Parsons termed "horse-back opinions."

The economy of the plan I have named must be evident; for a live bank counsel would soon become very expert in banking law, would have a special interest in keeping his bank out of lawsuits, and, on the whole, would be pretty sure to fully earn his salary by his advice and general services.

NATIONAL BANK EXAMINERS.

When a National Bank Examiner enters a bank at the present time for the purpose of seeing that everything there is as it should be he at once takes full possession. If it is a bank having a large business and many departments—departments which are inevitably mixed and intertwined with each other in their every-day transactions—he stops the work of each division and puts the cash and securities belonging to them under his private seal. By doing this he effectually guards against any concealment by defaulting officers of deficiencies in their own department by temporary and secret transfers of property from other divisions of work.

A brief explanation of what has been done by defaulters in banks by the methods just alluded to will give a very good idea of what might be again and again repeated, with variations, if the Bank Examiner's checks and guards just described were not now invariably put in force.

The Receiving-Teller of a bank, which was undergoing an examination that occupied several days, received back his cash from the Examiner, who had thoroughly gone through it and found it correct in all points. The next day the same Examiner passed through the loan of the bank and examined all the notes discounted and the collateral security attached and reported them all correct and in harmony with the books of the institution. But dishonest collusion existed in this bank between the Teller and Discount Clerk, and important deficiencies in collateral belonging to the loan were secured from detection by the aid of cash temporarily borrowed from the Teller after his cash had passed under the Bank Examiner's scrutiny and before the loan was examined. It is easy to see how cash and vouchers may be made to do double duty in the hands of cunning defaulters where there is a lack of proper vigilance on the part of the Bank Examiner.

The experienced and sagacious Bank Examiner is always sure to be alert in the matter of watching in an unobtrusive manner the ways, methods and general carriage of the bank officers who are around him

in the bank he is inspecting. It may be that at times he recalls an experience of this character.

A Bank Examiner became anxious about the discount department of a bank he was examining. He became suspicious, from certain circumstances, that the head of the department was trying to do something wrong. Placing a check in the right place at the proper time he detected this officer endeavoring to smuggle into the bank United States bonds which he had borrowed somehow to make up existing deficiencies in his collaterals.

There has been, particularly within the last few years, no small amount of sharp criticism of the methods and management of these important representatives of the Treasury Department. This has grown out of the fact that in many instances—instances which have become famous banking scandals—the most startling defalcations and irregularities have been carried along in banks right under the eyes, as it were, of Bank Examiners, and disastrous and most culpable instances of mismanagement have been allowed to exist where signs of the wrong-doing had been observed and reported to the Comptroller by the Examiners.

There is not a doubt but that it is absolutely impossible for a United States National Bank Examiner, or any other bank inspector, to make such examinations of our banks as shall ensure the public, every time, that there are no defalcations existing or brewing in any of them, although these officials can do much towards unearthing, or preventing dishonest practices in the banks.

It is time that it was more generally understood that neither National Bank Examiners nor the presence in a bank of the most perfect system of management, and the best of arrangements of checks and guards against dishonesty of officials, can absolutely prevent a trusted bank officer in a position of responsibility from stealing.

Regarding this matter of the mismanagement of some National banks in the face of bank examinations by the Treasury inspectors, the situation is somewhat as follows: A Bank Examiner finds, for illustration, that a bank President is using too much of the money of his bank—has too much of his paper in its loan—and that he is, perhaps, deep in speculations of a questionable character, which are endangering himself and his bank. The Examiner reports this to the Comptroller. The Comptroller writes an admonishing letter to the Directors of the bank. He does little more than this, in very many cases, because he knows that the Directors have taken an oath that they will attend faithfully to their duties, and because if he does anything more he must take very decisive action.

There seems to be no half-way position for him to take in the matter. The bank must be allowed to go on under the management of its Directors, or it must be proceeded against with a view to closing it up.

It might be well for Examiners, who have found banks indulging

in practices that were not satisfactory, but which they promise to refrain from in future, to make early revisits to them to see if the promised reforms have been instituted.

There is one incidental advantage which is an outcome of the relations existing between every National bank and the banking bureau at Washington that is of no small value. In the matter of circulating notes issued, bonds of the United States held as security for the same, and the maintenance of a cash redemption reserve fund at Washington, the banks and the Treasury Department may be said to act as checks and guards of each other.

The system in this regard is of such an admirable character, and is so well managed, that there has not been an irregularity since National banks began to exist.

When the National Bank Examiner goes through a bank he looks carefully into every item on its books which has any connection with the central bureau at Washington. If he finds figures which do not seem clear and consistent he confers at once with the Treasury Department for the purpose of obtaining explanations and reconcilements. His final reports on every bank go direct to Washington and are there carefully examined and compared with those figures in the banking department of the United States Treasury relating to them.

The statements which the banks make out five times in the year by order of the Government go through the same scrutiny at the Washington banking department, and are there carefully examined and compared with what may be termed the books of the great central United States bank at Washington, of which all the National banks of the country are only branches.

It is not easy to see how anything can long go wrong or irregularities occur in those portions of National banking which are thus made to work together—to prove and try each other in the manner we have described. Outside and beyond there are, of course, chances for fraud and defalcation which experienced bankers fully realize. The question often arises whether, for instance, there is not a danger that National bank bills may be printed surreptitiously in Washington by dishonest officials—printed from the genuine plates of National banks and put in circulation with forged signatures.

BANK DEFALCATIONS.

I hope, before I complete this topic, to make myself fully understood when I say that a large degree of the safety of a bank, as far as immunity from defalcations is concerned, depends upon the tone which exists within the bank—which rules in the administration of its internal affairs.

That bank runs along the best and does its work the easiest, the most skillfully and most securely, which cultivates and maintains what may be termed the most healthful and harmonious internal discipline. Negative illustrations of this point may perhaps be presented the most

easily and concisely, since such seem to come the most frequently under the direct notice of the practical banker.

A bank is in a bad way—is running along with a deal of dangerous friction—when it is manned by a corps of officers who do not fall into habits of mutual regard for and complaisance towards each other while thrown together in the discharge of their daily duties.

The bank whose superior officers do not do all in their power to aid and instruct the officers under them—all they can to make them contented and to assist them in the work of qualifying themselves for advanced positions—is not a bank with a safe and desirable administration of its internal affairs.

The bank whose Directors and officers, from the President downwards, are prone to indulgence in stock speculations, and who seem to be currently more taken up with the occupation of studying the vibrations and revolutions of the share Exchange than with the business of banking—the business which is nominally their sole profession—cannot be considered an institution that is managed with due prudence and safety. Defalcations are particularly liable to be the outcome of such a situation.

The bank which is managed without a due regard for the statutes of banking, and with an open disregard of the principles of strict honor and honesty, equity and fairness, is surely in a bad way, and also particularly open to losses from the irregularities of employees who have been demoralized by their surroundings—who have lived under the influence of bad examples.

So I might go on with my illustrations. But enough has been said to point my moral and explain my drift.

After all care has been taken and notwithstanding good discipline and management, sometimes the trusted clerk is found untrustworthy and the apparently honorable man proves to be a rascal. Then comes a new lesson.

Whenever a careful and well-managed bank meets with a loss from the defalcation of some officer whom it has employed in some one of its positions of trust and responsibility, it at once endeavors to set up in the path through which the loss has entered the bank some guard which shall prevent a recurrence of the same sort of irregularity. And where a bank has had contests and losses, which have been the outcome of some imperfect methods of administering its affairs, it at once attempts to institute improved methods, which shall forever prevent the coming of similar difficulties.

In this way the whole system of banking, in respect to its internal administration, has been built up—has been brought forward to its seemingly well-nigh perfect condition, as far as its methods and machinery are concerned.

But, with the enormous increase of business which characterizes the times, and the discovery of new methods of fraud, forgery and swindling,

of all sorts, new appliances for protection against these latter will be in constant request.

But these guards and these improvements must not be temporary matters, to be given up as soon as the first excitement is over. I will cite a few actual cases.

The bank had been defrauded of two hundred thousand dollars by clerks who had covered their wicked tracks by a free use of the eraser. A committee of the Directors, who afterwards sat upon the question of how the bank should in future be made safe, decided that in future no erasers should ever be used in that bank. For a while this rule was carried out, but to-day as many erasers are used there as ever.

The bank had lost by defalcation of officers who had been stock speculators. The Directors decided that they would henceforth employ no officers who speculated in stocks. In time this rule became a dead letter, and the officers of that bank "invested" their money about as they pleased.

The bank had lost heavily by a defalcation of its officers, who had tampered with the pass-books. The Directors decided that a rule should be set up in that bank that no balanced pass-book should be delivered to a depositor at the end of the month until it had been examined by the President of the bank and by him compared with its trial balance. To-day the pass-books in that bank are handed out at the end of the month by any of its officers.

The bank had been half ruined by defaulting clerks who had operated between regular examinations—examinations which came at stated times, and which the sharp clerks duly prepared for. The Directors made a rule that irregular—surprise—examinations should be a feature of their system in future. To-day they have no examinations of that sort there.

And so I might go on, giving many more illustrations of this sort, drawn from my personal observation. But I have given enough to point the moral which I have in mind, which is, that it would be well for our banks, in times of internal peace and freedom from irregularities, to live up to some, at least, of the rules established for their safety in times when they were being shaken up by defalcations.

SUNDAY WORK.

No bank officer should work on the Sabbath except when it is demanded by necessity. There have been times during the Rebellion when some very patriotic and holy work was done in many a Northern bank on Sundays. In a time of terrible National distress the London "Times" once issued the only Sunday edition it ever printed, and that famous Sunday "Times" was sent forth for the purpose of announcing that the English Cabinet and the Directors of the Bank of England had had a Sunday meeting and that the outcome was a suspension by the Bank of England.

There are bank officers who of their own choice, and simply because

they did not know what else to do with themselves, have fallen into the habit of going to the bank and doing clerical work on Sundays. Some have said that the complete quiet and absence of all interruption which they could get when at this Sunday work made it the best day in the week in which to bring up back work or get work ahead so that they need not be in a hurry on Monday. Viewed from any correct stand-point this habit of working on the Sabbath is a very objectionable one, and if bank officers are disposed to indulge in it the Directors should forbid it.

There is plenty of evidence of the highest character and authority proving that it is better physically, mentally and economically, throwing entirely out of the question all reference to its moral and religious aspect, for a man to do all his labor in six days and rest on the Sabbath.

NOT A MODEL BANK.

I think a good point may be scored by closing this long chapter with a brief picture of a bank whose methods and machinery are in all points nearly as bad as they can be. I think it will be both amusing and instructive to good bankers. The bank in question is an old-fashioned institution, located in a small interior town, and is in good and regular standing. The men who run it were not born bankers, yet they are honest men. Its books are kept upon a sort of homespun system from which it would be impossible to gather any forms for reproduction as models. Its pass-books are not balanced at any regular time. They get them in when they find it convenient to do so—say on an average of once in three months. Trial balances and general settlements of the leading books of the bank are not considered important adjuncts to the payment of a dividend or the preparation of reports. Certificates of deposit payable on demand are issued against which their holders are allowed to draw checks at their pleasure, returning the original certificates when the money is all drawn out—if they do not forget to do so. The letters which the bank sends out are not copied and none which it receives are filed or preserved. They are all thrown into the waste basket. The same disposition is made of all the tickets and other papers used in the current business of the bank. One might go on indefinitely describing the ways of this very unsystematic institution, where everything in methods is about as it should not be. The example must be admitted to prove that it is possible for a little bank in honest hands to run along for years without great disaster and not have any system in managing the details of its business, but it is a possibility which a bank should not experiment upon.

CHAPTER XIX.

ON PERSONAL MATTERS.

Let us take a glance at what may be termed the correlations of the banking business, and see how the various departments and officers in charge are related to one another and intertwined and connected in the routine operations which relate to the management of banking details. In taking this view of the whole corps of officers and their work we must look at the bank which they are running as an entire and complete machine, all the wheels in motion, the whole concern in actual operation and doing its accustomed work with regularity and success and with as little friction as possible. The President, if there is a working officer of this description, stands at the head of affairs, presiding over the meetings of Directors at which all the most important questions relating to the management of the funds of the bank are decided and where the general policy of its administration is discussed and settled. In the interims, between the regular meetings of the Board, the President is supposed to do nothing relative to the management of his bank not in harmony with the ideas of the Directors, as far as he has been able to ascertain them; and he is also supposed to be in daily consultation with individual members of the Board, particularly those of the Finance Committee, as they from time to time drop in upon him.

The Vice-President, if the bank has one, is a "double" of the President. When the President is absent he assumes his full duties, and when he is present he assists him in the presidential work.

The President looks upon his Cashier as his chief executive officer, and bears somewhat the same relations to him as the captain of the steamer does to his first officer, or the colonel of the regiment to his lieutenant-colonel. He holds him responsible for carrying out the orders executing the will of the Board of Directors, expects him to manage in full the details of the business of the bank, to be responsible for the general administration of affairs by his subordinates, and to be a faithful and skillful counsel and adviser in all matters relative to the affairs of the institution. The Directors are supposed to give the Cashier all the officers he needs for the various departments in his charge, and through their President they hold him responsible for the general faithfulness of these subordinates. The Cashier is an official through whom all the business of the bank may be said to pass. He stands at the head of the establishment,

distributes the work, watches its progress, and receives and sums up the results. He stands, as it were, at the gate of the bank, welcomes all who have legitimate business with the institution, receives its correspondence, scatters its contents, whether they are enquiries or remittances, among the departments and officers to whom they belong, and sees that due credits are given, needed replies made, and prompt acknowledgments rendered.

The Cashier, or his direct assistants, checks off the remittances which reach the bank through the mails, receives from the President the paper which has been discounted by the Board, and passes it over to the Discount Clerk for computation and credit.

The Discount Clerk, the official whose sole duty in a large bank is that of calculating the discounts on paper taken by the bank, and filing, recording and attending to the collection of the same, passes the proceeds of all discounts to the Receiving-Teller for credit, to the Cashier for remittance, or pays out the net amounts directly through the hands of the Paying-Teller. As the in-town paper in his files matures he gives the same to one of the Tellers to collect. His out-of-town paper he passes over to the Cashier's department a sufficient time in advance of its maturity so that it can be sent forward for collection at the points where it is payable. He compares his daily records of maturing paper and discounts paid with the figures on the books of the Paying-Teller and the Receiving-Teller, which must tally with his transactions.

The two Tellers compare their daily balances with those of the Book-keeper.

The Cashier gathers from the books of the various departments of the bank a comprehensive abstract of all the receipts and disbursements, and makes up a summary of figures which must accurately show in outline the entire transactions of the day.

The Collection Clerk, whose duty it is to take in charge and collect all paper which comes into the bank for collection, other than that which goes at once as cash into the hands of the Teller, is brought into direct connection with the Messenger, who is a deputy of his, and this latter officer makes returns of work to the collection department.

The Book-keeper makes those detailed debits, credits and balances which are the outcome of the transactions in all the other departments, and his pages are both a history and a present statement of the bank's cash affairs.

STEADILY COURTEOUS.

One of the first duties of all bank officers is to be uniformly and unwaveringly polite—courteous—to every person dealing with them. The wearing duties of their positions, various sorts of physical and mental disabilities which sooner or later come to bank workers, for the reason that their lives are confined ones, and because of the mental strain put upon them, the difficult character of many of the dealings

they are constantly having with the outside public, and the idiosyncrasies and peculiarities of many customers, are, each and all, causes which render it hard for these officers to maintain, at all times, this pleasant equanimity which I have demanded. But, the greater the difficulties, the greater should be the struggle to attain what I have described as being so absolutely necessary, and the greater the honor to which the bank officer is entitled for his successful carriage under such trying circumstances.

Bank managers should make it one of their most vital duties to see that every subordinate in a bank behaves like a gentleman, in all his intercourse with its customers.

Although it may be one of the hardest duties devolving upon the clerk to maintain this uniform politeness and good nature, under the annoying and vexing circumstances with which he is liable to be so often surrounded, with resolution and practice he may live up to the standard I have set up.

From his position behind the bank counter he must dispense equal politeness, consideration and courtesy to all with whom he deals. The size of a person's bank account, his degree of acquaintance with the methods and machinery of banking, his claims upon the bank officer for time and attention, his agreeable or disagreeable ways, should not have the slightest effect upon the deportment of the bank officer who is called upon to give him attention. And, while he is giving him attention, it should be the most undivided and interested.

Great care should be taken to avoid airs of indifference or superiority, though the matter under consideration may be of the most trifling importance, and the dealer presenting it the most unreasonable and unwelcome person to be imagined.

From the Messenger, who delivers the notices and presents the drafts, to the Paying-Teller, who scatters all the money, all the bank clerks should understand that the highest civility is a part of the code of their bank. And upon the way such a code is lived up to may depend much of the success of the bank.

Here are actual cases.

The bank had an account with a large bank in an interior town, which account was a reciprocal affair, yet of large value to the city bank, for the country bank kept with it a heavy balance, and also did its interior collections, which were payable in its district, on very advantageous terms. The account was of long standing, and the Cashier of the country bank had made many visits to his city correspondent and was well-known there; but his President seldom went to the city, and was not known at all at his corresponding bank. One day this President called at the city bank. Its President, who happened to be in attendance and to receive him, did not chance to be in a gracious mood, and greeted the country banker, who was a strong, able, yet unassuming man, in a rather blunt and indifferent

manner. Without being actually rude, there was a nameless something about his address that was exceedingly ungracious. The result was that the country banker changed his city correspondent. He ran the country bank, was one of the largest owners of its shares, and was one of the best men in his State.

This is a simple incident. It has its lessons. Many banks, not learning them in advance, have lost accounts in the same quiet way.

The good-hearted but overworked Cashier of an old-time city bank used to figure in this way: Enter country Cashier—a modest, but an able man—who was a leading banker in his State. He passes over his carpet-bag to the city Cashier, and says he will call later and fill up with his redeemed bills. The city Cashier seizes the bag with a growl, throws it across the bank with a whack, and goes about something else. The country bank does not withdraw its account, but only because, in those old State redemption days, it could go nowhere else.

I recollect that I once heard an old merchant speaking of the various bank officers he had known upon a certain street, and describing the characteristics of each one of them. Coming to Mr. ———, who was at the head of the largest bank in the place and had been its successful President for many years, having worked his way up to that position after serving in almost every other capacity in the bank, the merchant remarked that this President was an able man, but that he owed much of his success in life to what might be termed his uniform, unswerving courtesy. And then he related the following incident illustrative of the politeness and thoughtfulness of this officer:

"More than forty years ago I was an inexperienced, new boy in a counting-room in this city and knew nothing about the town, business or the banks. My employer handed me a check to collect on the bank where he made his deposits. I did not know one bank from another—in fact supposed a bank check could be collected of any bank, and that it did not make the slightest difference at what bank I presented that individual check. So I stumbled into the first bank of which my eye caught the sign. It was not the right one, and the Teller savagely asked why I brought that check to him, but did not give me any clear explanation of what I should do with it. Neither did some other Tellers to whom I wrongly presented that bothering check. But when I came to the bank where Mr. ——— was then acting as Paying-Teller I was treated with a kindness and courtesy which I shall always remember. He explained to me that the check should be presented to the bank upon which it was drawn, told me how to find that bank, and did it all in such an attractive, pleasant way that I felt happy at once and was very grateful to him. And now," said the merchant, "I am going to see that man. The old gentleman is ill, I hear, and I will amuse and interest him by telling him this little story of the days when he was a bank Teller."

The politeness and courtesy I have named as being demanded of

the good bank officer in his dealings with people outside his counter, should also be as strictly practiced in his intercourse with all his fellow bank officers with whom his daily life is spent behind the counter. Here he should be just as kind and polite to his humblest fellow laborer as to him who is in the highest position. The janitor should be treated just as politely and kindly as the Chairman of the Finance Committee or the President of the bank.

Without doubt these suggestions may seem to many very commonplace—of a character so trite as to belong to a class of things that go without saying—yet the man of business is called upon to observe so many violations of the rules I have laid down that he will welcome the suggestions here made.

LEISURE TIME IN THE BANK.

Bank officers, while at their desks and counters, should give the closest attention to the duties of their position. These duties may not always keep them closely occupied, because large and small banks, very active banks, and banks which are not stirring institutions are obliged to have their staff of officers of a size adequate to get through the work in the busiest times. So from necessity there are days when many of these officers have very little to do. But they have, nevertheless, to be at their posts waiting for business that will not come.

Banking is a very intermittent business. Sometimes bank officers feel as if they were nearly worked to death. At other times they find they have nothing to do. This is an unpleasant feature of their business. As long as they have to be at their desks they would rather have regular and steady work. As it is, what shall they do with their leisure time? Reading newspapers doesn't look well and does not give a business aspect to the bank, and, besides, they are an injury to the mind. This poring over one daily paper after another, reading and forgetting as soon as read many things which are not worth reading at all, is weakening to the mind. All business men should read the newspapers, but the question is how to read them—how much time to spend over them. The late Wm. H. Prescott, who was one of the busiest of scholars, told a friend that he gave just ten minutes a day to the daily papers. Mr. Everett had the same habit. A bank officer would do well to devote his time in the bank when he has leisure to perfecting himself in his profession by learning thoroughly every department of business that is going on about him. He can also make a practice of studying into the general science and philosophy of banking, finance and political economy.

These quiet times may also be used to a proper extent for attending to personal matters in the way of correspondence, etc. The bank is not the place where a bank officer is expected to transact his private business of a general character, but he certainly may occupy otherwise unoccupied moments in personal employment of some kind.

But while employed in this manner, he should expect that about

all he may be doing will be subject to all sorts of interruptions and casual inspections by anybody and everybody about him; and it is well for him to avoid even the appearance of a wish to shun observation. I once heard an experienced bank man say to a boy who was about entering on bank work: "Do your best; learn all about banking, and do its work when it has any work for you to do. Between whiles you may, without offense, write private letters at your own desk; but don't try to hide them from any one; and if the President or Cashier comes along and wishes to read what you are writing, let them read it, with the hope that it may do them good. Don't try to put it out of sight, as if it was a thing not to be seen, or as if you had not the utmost confidence in your superior officers. Have your own private stationery, stamps included. It is well to draw the line here. Don't make private use of even small items of corporation property."

HANDWRITING.

The mechanical work of writing is, to most people, an occupation that is tedious and wearisome. It is for this reason that the typewriter and its most convenient complement, the stenographer, have been most heartily welcomed by those who are in the harness of literary work, correspondence, and other sorts of occupations requiring a large amount of writing; and all young men entering banks and counting-rooms, who have good heads and fingers for these trades, are advised to learn short-hand and type-writing.

But it is not necessary for me to say that while the writing machine does good work in its place, there is an immense amount of good honest hand labor with the pen which no machine can touch. For this reason every bank officer ought to be able to write a good, legible hand. And there are few who may not be able to do this if they take proper care and pains in the matter. It is not by any means necessary that the penmanship of any man should be what is termed elegant-looking from the standpoint of the writing-master, but it is necessary that it should be unmistakably legible—easily and readily readable.

The junior clerk, in entering a bank, should not be above taking outside writing-lessons of a good teacher of penmanship, after he has entered upon his banking duties, if he finds that his hand is neither satisfactory to himself nor others. Good, practical help may in this way be obtained to fill up the deficiencies in his school education.

Our common and high schools make a great mistake in not giving more time and attention to the instruction of their pupils in penmanship.

Few boys who graduate successfully from our high schools are capable of writing a good business letter—even if it be so short and simple a one as an application for a situation in a bank.

But, perhaps, even a better way than taking direct lessons in penmanship may be adopted by the bank clerk who is weak in point

of handwriting. Let him firmly determine that he will practice himself into a legible and rapid hand. And plenty of practice, with the right aim, will do much towards bringing him up to his ideal standard.

Here are a few hints belonging to these premises. With an aim at legibility constantly prominent, follow these simple rules, and leave the matter of style and elegance of strokes to occupy a secondary position. Cross all the t's, and cross them distinctly and in the right place; dot all the i's, and dot them most emphatically in the right place. In forming loop letters, have the loops well defined; and in making m's, n's and u's, make them so that they may not be taken for each other.

In fact, the secret of forming a legible hand lies in making each and every letter in such good form that no one letter can be mistaken for another. Learn at once to write without the use of rulings. Learn to space correctly—to lay out a letter, or any piece of writing, in a good style.

The faculty of writing rapidly can only be acquired by a good deal of practice. But beware of letting the habit of writing rapidly destroy the power and habit of writing legibly.

As an illustration of what I do *not* consider good handwriting, I will mention the modern "angular" penmanship, which is coming somewhat into vogue in society in this country and is in some cases being carefully taught in schools under the names of English or Gothic style. It is of an objectionable type, since it is indistinct.

A young lady from a first-class school was handed a MS., with the request that she prepare a fair copy of it for the printer. The transcript she returned looked neat, regular, well spaced and free from errors and alterations; but it had one fatal defect. It was impossible to read it because it had been written in the Gothic style. The most experienced printer would be sure to stumble and growl over it. The leading cause of its indistinctness lay in the fact that there was not the slightest perceptible difference in the construction of the n's, m's and u's.

Any system of instruction in writing that countenances such a method as this should be put aside.

Manuscript where all the t's are firmly crossed, the i's strongly dotted, the n's made distinctly unlike the u's, and the i's not like j's, can be deciphered very easily by the printer, though others might condemn the hand as homely and not stylish writing.

I repeat that the first point to be considered in penmanship is legibility.

SIGNATURES.

The banker is called upon to study many of these. He is also, particularly if a bank Cashier, called upon to make many of them.

The first duty of a person in making a signature is to make it as

legible as he possibly can—to make it so that it can be easily and quickly read by any and every person who is called upon to make it out.

But this, the first and most important principle in signature-forming, is constantly and most emphatically violated by those who ought to know better.

People will write letters, fill up notes and draw checks in a hand that can be read; but the same parties will often sign these documents, apparently, with the deliberate intention of making it impossible for any but those most intimately acquainted with their hieroglyphics to decipher them.

Some of these manufacturers of occult and obscure signatures seem to take a real satisfaction and pride in their productions. There are instances where they appear to be the result of long and close study of methods of making up what they may claim to be a signature, but what is really after all merely an arbitrary arrangement of marks they have invented, which have in their results no more resemblance to their real written English names than they do to Hebrew or Chinese characters.

Had I space I should here introduce some *fac similes* of typical specimens of autographs of the character I have described, quite a number of which are within my immediate reach, accompanying the "pictures" with offers of liberal rewards to any person who would decipher them.

There are bankers, as well as business men, who have an idea that they can, by "getting up" an odd, obscure and startling signature, render forgeries of their names more difficult of accomplishment. But this is a great error. These oddities are more liable to forgery, more easy of imitation, than is a good plain, square and perfectly legible hand. Such a hand will be sure to have delicate characteristics which will be more likely to prove safeguards against successful imitations than will the odd, but broad, features belonging to the class of objectionable signatures I have been describing.

Let every person who knows how to write show this knowledge in his signature.

And let every person who is in any way somewhat unskillful in his chirography learn as soon as possible how to write his name, at least in a clear manner; for it is a sign that he is likely to be often called upon to paint.

Before closing this subject, let me add a word upon the general philosophy of signature-making.

During the years of my banking experience I have had considerable to do with signature-making and signature-reading, and I may be able to offer an idea or a suggestion of value and interest. There is one point, to begin with, that has always seemed to me curious and suggestive. Signatures are, as far as my observation has extended, no

sort of an indication of the character or characteristics of the writer. There used to be a theory about, and I imagine it obtains in some quarters now, that you could tell something of what sort of a man a person was by seeing and examining his signature. But I got that notion out of my head, if it was ever in it, long ago. I have seen so many bold, strong, John Hancock-style of signatures, written by rather mild men (to put it mildly), and so many little, effeminate, shirking signatures, written by powerful, indomitable hands, that I now "take no stock" in the "signature-revelation" theory.

But all this is not what I was going to say. I have a report to make, and practical suggestions to offer. In the first place I have been bothered so much by illegible signatures that I clamor in behalf of sufferers everywhere for a style of signatures that can be easily read.

Every child attending school should be taught to write his name neatly and clearly, without the use of a single fancy line or flourish, and every person should try hard to keep up such a way of affixing himself.

Some, who are very good penmen, persist in doing some one thing or another to their signatures which renders them a mystery and a terror to all brought in contact with them. A word or two in illustration of this.

I have before me signatures to checks of this style. The name has been written fairly well, but the signer has adopted the foolish notion that he will be safer against alteration of his check figures if he puts them in red ink right over his name. He does this, and spoils his signature without helping in the slightest degree to guard against fraud.

Another has an embossing machine, and stamps the amount over his name. Result, no good to anybody.

Another has the idea that he must get up something unique in the way of signature—the idea that safety against forgery lies in such uniqueness and oddity! All nonsense.

A good, plain, legible signature takes the prize in all directions on all points.

Memorandum: Use good ink; put on plenty of it; learn to use pencil, quill or pen, and all sorts of writing implements now in vogue, for you may have to apply them all; learn to write sitting erect; learn that you must never put your signature to anything in a careless manner, either as to the style of the writing, or as to the purpose, word or intent of the signature. That is, consider it an ironclad, a sacred thing, not to be carelessly given or easily forgotten.

PEN PARALYSIS.

There has been, off and on, no little excitement among those whose lives are very much occupied with the pen, over the pen paralysis question. Without doubt there have been very many instances where

persons have suffered from the effects of the long-continued use of metallic pens. Some have, for this reason, been obliged to give up writing entirely.

My attention has been called to this subject by a case which recently came up at my own counter.

When my caller came to sign his name in the place pointed out he made his signature with his left hand with a slow and laborious effort, although he had in his previous calls for the same purpose given a bold, dashing and rapid autograph with a firm right hand. The helpless, aimless swinging of his right hand and arm, and the sinister signature, revealed at once the fact that he had met with a partial stroke of paralysis. He was a young, stalwart and active man, and I could not but show a sympathetic surprise over his condition—a surprise of an enquiring character—which drew from him the explanation that considerable writing with that modern instrument of torture, the steel pen, had brought upon him a stroke of pen paralysis, or what is often termed scriveners' palsy or writers' cramp. He was a gentleman of wealth and culture, and a great traveler. In the conversation we fell into over this unfortunate and rapidly increasing complaint, some very interesting light was thrown upon it. I had long given considerable attention to this crippling disease, and was deeply concerned in what he had to say about it. The palsy comes suddenly, often with very slight warning. In the case of one bank Cashier, it seized upon the two forefingers of his right hand at a time when he never dreamed of his liability to such a complaint, and at once largely incapacitated him for an occupation which was pretty much his sole reliance. The pen dropped at once from his helpless fingers. The saddest thing about this complaint is, that so far, the highest authorities have written it down as incurable. Yet few sufferers from it are willing to give up in this way. And the most of them are nowadays working away under electric and massage treatment, believing there is hope for them in these two fields of practice. There is little doubt but that help is received by improving the general health and by persistent but gentle exercise of the hand and arm affected. The disease can in many cases be warded off by certain methods of self management. Among these may confidently be recommended to those persons who are much in slavery to the pen, the use of the quill or the pencil upon soft paper, and the cultivation of an easy and erect position in writing and easy and correct methods of holding the pen.

Of course, the quill pen, while readily used in correspondence and general manuscript work, and in signing bills and general signature work, cannot well be used on books. Every person who has much writing to do should, however, learn to make a quill pen, and learn to use one.

But, after weighing all the different theories and hearing a great

deal said on this matter of pen paralysis, I am inclined to think that much of the trouble that comes to sedentary men in the way of disabilities of this character arises from general ill-health, want of proper exercise in the open air, and the ever-needful special exercise of the hands and arms in some kind of work, or gymnastics, which shall serve as a counteracting influence upon the effects of the monotonous and confining occupations of the desk.

All persons who are largely occupied in writing should systematically and thoroughly exercise the arms in some natural and unstraining work. Cutting wood, sawing wood, hoeing, raking and similar arm and hand-using labors are to be recommended under this head. Walking, riding and driving are pleasant recreative exercises. But these do not always call in play the writing muscles of the hand and arm.

A DEATH IN THE BANK.

There comes a day when the officer, who may have worked by your side for many years, falls by the way. His goings and comings have been so regular and machine-like that you hardly counted upon their cessation. But some day he fails to present himself at the usual hour, at the customary desk, to do the work which has been so long familiar to him, and, in his place there reaches the bank a report that he is not well. He sends word, perhaps, that he is not very ill; that he takes a day or so off for the purpose of recovering his strength, and that he will be back at his post soon. But many days slip by, and he does not come. By and by, there reaches the bank a report that he is not so well; that, instead of gaining, he is losing, and members of his household come to his place of business, and tell of their serious alarm about the condition of his health. He has, perhaps, sunk into a fever, or become the victim of prostration of some other alarming description. We are told that his mind is wandering. In his delirium he talks and thinks mainly of his work at the bank; "runs on," about counting money, adding long columns and making entries. Before the officers of the bank, who are more busy than usual, for they are helping on his work, have hardly time to call upon him, or to think much about his case, the news reaches them that he is dead; that his bank work is done; that they shall see him no more. As many of them as can go to his funeral, carry flowers to rest upon his coffin, and follow him to the grave. They visit his family, if he has left one, and endeavor to comfort them by bringing up pleasant remembrances of their lost fellow-officer, and try to do little kindnesses for these surviving friends of his.

The lessons in practical banking which should be the outcome of such occurrences as this to which I am referring—happenings which come, alas, so very often—are of an impressive character.

In view of the fact that those with whom we work—in whose companionship our business lives are spent—are liable to be so soon placed beyond the reach of our good influences, our kind services, our courteous

words, and pleasant offices, we should make the most earnest endeavors to do all that we can, each and every day, to add to their comfort, their happiness and their general advancement and success in life.

Washington Irving somewhere says, that no thoughtful man can ever look upon the face of the dead without wondering that he could ever have cherished animosity against the living, who are so soon to be called upon to rest in the cold embrace of the grave. And no person will ever regret the patience, the forbearance, and the charity which he has shown in life towards those who have by death been placed beyond the reach of his services and his influence.

HOMES OF BANK OFFICERS.

In England, it is so much the custom of the chief bank officers to live in the same building with the banks in which they are employed, that a standard English work on bank architecture makes just as much a point of providing, in its plans for banking buildings, for the rooms in which these officers are to live as it does for laying out rooms in which they are to do their banking business.

There are, within the precincts of the Bank of England, residences for nine families, which are all occupied by employees of that bank.

In this country, in our cities and large towns, neither the Managers nor any of their officers are often found making their homes under the same roofs with their banks.

Among the smaller banks in the interior it is not an infrequent custom for bank Cashiers to occupy, as home quarters, a portion of their banking building.

Or, to state the case as I have the most often observed it, where the bank and the Cashier live together, the bank is found occupying a single corner room in the house which is the residence of the Cashier and his family.

It would, without doubt, be the better plan, other things being equal, for bank officers to live away from their places of business.

The American idea of separating the man from his shop is the one to be chosen in preference to the old English idea of keeping house and store under one roof.

And, in the case of bankers and banking, it is particularly to be desired that the man and business should have independent homes and independent hours. The profession of which we are treating is apt to be absorbing and narrowing in its influence, and the banker who never, day or night, gets out of the range and sight of his bank is far more in danger of becoming a mental and physical slave to his business than he would be if he daily had a chance to put some little distance between himself and his vaults, cash and books.

BANK CLERKS' INVESTMENTS.

The bank clerk, while he is a bank clerk, should be content to live on his salary—should avoid all attempts to extend it by risky specula-

tions. If he remains a bank officer, he may, if he lives long enough, has health, and practices economy, acquire a moderate competence.

I have, in another place, unsparingly condemned the habit of speculating in stocks, as practiced by employees in banks. I have no hesitation in saying that the bank clerks of the country, who have been working and speculating, during the last decade, would, to-day, be better off pecuniarily if, in all this time, they had given their minds, during business hours, exclusively to their clerkly duties, put by in first-class savings banks all the surplus of their earnings, without giving themselves any trouble at all about this matter of personal investments, and, out of business hours, devoted themselves to the improvement of their minds, and to the recreation and refreshment of mind and body. Proof of the correctness of this general verdict may be deduced from careful observations in a narrowed field.

A bank officer, of the most extensive acquaintance among the men of his class, in one of our largest cities, not long ago publicly stated that he was perfectly confident that the bank clerks of his city, who had been working along, contemporary with him, during the past 20 years, would be better off than they were to-day if they had simply put aside, from month to month, their savings, even in non-interest producing safe places, instead of continually struggling, as had been their custom, to get large interest for their money, and to increase it by speculation.

BANK SECRETS.

In these days of regularly published returns of condition and periodical examinations by Commissioners, banks have little opportunity for keeping their affairs and their situation hid from public observation. In the old days of banking in this country there was different management from this. There was apt to be thrown an air of what may be termed dignified reticence, if not actual mystery, about the banks and banking of those periods, which was quite in harmony with the fashions in banking in the old country from which we had brought most of the models for our methods and machinery. There are bankers now living who can remember when customers of the leading old banks of New England always had to take off their hats in coming into the august presence of their bank Managers, and when these institutions were hedged about by a reserve and formal dignity which would astonish a modern bank depositor or paper broker. At the period referred to it was the custom to administer to both officers and Directors oaths of secrecy and faithfulness which were modeled on those in use in London banks. I found the banks of London still using the very forms of oaths of office which were once in vogue here, but which have, with us, quite gone out of fashion. Here are copies of two of these bank oaths (see Forms 74 and 75) which are in use to-day in London banks, the first being the form for Directors and Trustees. While our banks do not to-day exact such a pledge

from their officers, every honorable employee will feel bound to preserve a proper reticence as to the transactions of his institution:

Declaration of Secrecy for Directors and Trustees.

We, the undersigned persons, being respectively the Directors and Honorary Directors and Trustees of the public Joint-Stock Company, called ....., do severally declare that we will respectively, faithfully and impartially discharge the several duties devolving on us as such Directors as aforesaid, according to the deed of settlement of the Company bearing date the ..... day of ....., and any laws and regulations that may be made in pursuance thereof. And we do hereby pledge ourselves, and as inviolably as if we had taken our oaths thereto, that we will observe the strictest secrecy on the subject of all transactions of every description of the Company with their customers for the time being, or with any other bodies or persons whatsoever, and on the subject of the accounts of all bodies and individuals from time to time having accounts with the said Company.

Dated this ..... day of ....., 18 .

Form 74.

The second (see Form 75) is the form for the officers:

Declaration of Secrecy by the Managers and Clerks.

We, the undersigned persons, being respectively Managers, Accountants, Cashiers, Tellers and Clerks of the ..... Banking Company, do severally declare that we will respectively, faithfully, honestly and impartially discharge the several duties devolving on us as such Managers, Accountants, Cashiers, Tellers and Clerks as aforesaid, according to the directions of the Directors of the Company and any laws and regulations that may be made by them. And we do hereby severally pledge ourselves, and as inviolably as if we had taken our oaths thereto, that we will observe the strictest secrecy on the subject of all transactions of every description of the Company with their customers for the time being, or with any other bodies or persons whatsoever, and on the subject of the state of the accounts of all bodies and individuals from time to time having accounts with the said Company.

Dated this ..... day of ....., 18 .

Form 75.

STUDIES AND INTERESTS.

I might have added to my last section that our bank clerk should bear in mind that, in entering upon this occupation or profession, he has voluntarily shut the door upon any expectation of accumulating great wealth through it. But he should take some comfort in looking at the sunny aspects of the business he is following. He is not subject to the wearing excitements, the great reverses and general feverishness which characterize, in so marked a manner, the career of most modern business men. His occupation, if he honors it, and properly attends to it, gives him, as far as occupation has an influence in such matters, a pleasant social position; for, though it is a lamentable fact that some bank officers "amount to very little" outside of their banks, there are no good reasons why workers of this class may not be very much esteemed as citizens. They have on their hands, as a general thing, a deal more of leisure than the average man of business, and

this leisure, if properly used, may be of incalculable advantage to them. By study and reading, by the cultivation of such hobbies as philanthropy, art, literature, music, and other innocent pursuits and pleasures, they can, if so disposed, make a most profitable disposal of their out-of-bank hours.

I have now in mind many well-known and most successful bankers who are as accomplished outside of their banks as in them—bankers who are oil painters, artists of various sorts, amateur mechanics, wood carvers, botanists, etc., etc. And they are all the better bankers for these reasons. The rest and recreation they get out of their out-of-bank hobbies sends them back to bank work in bank hours with minds refreshed and strengthened.

We sometimes hear it urged that bankers, whose days are so much given to mental and sedentary work, ought not, in their out-of-business hours, to indulge in much of any reading, or study, which requires close mental application and deep thought. Light reading is almost always recommended as the sort of reading which is altogether the best for them to patronize. But it appears to me that in this matter a mistake is often made. For some minds which have been wholly taken up during business hours with the routine occupation of banking, there may be, when the regular labors of the day are over, more real refreshment, more genuine relaxation, in taking up some quite hard study, some line of investigation demanding deep and close application, than in the business of half idling over novels and aimless miscellaneous reading. Mental health, and mental strength and refreshment, often come from the hard work.

Dr. William Everett said, on one occasion, in an address to young men, that when he once found himself sinking into a condition of nervous prostration and mental depression, he saved himself and drove away the cloud by buckling down to the hardest lines of investigation and study that he could turn to.

The dissipating, weakening effects of too much newspaper reading cannot be too strongly pictured. Poring over newspaper after newspaper, reading so many things which are not worth reading, in papers "which are so like another," and so many accounts of things that are *not* so and which are to be contradicted in the next issue, is neither profitable nor refreshing to the wearied mind.

A distinguished man said in my hearing not long ago that he really believed an inordinate fondness for reading was a habit to be feared in any well-regulated family. This radical remark was suggested by his observations of the time wasted by his sons and daughters in novel and newspaper reading.

I am able to give a direct illustration "from the life," on this point of reading and study in leisure hours.

Happening to observe that a very good young bank officer seemed at a loss what to do with some of his tired leisure, I suggested to him,

knowing something of his former school tastes and talents, that he revive and pursue the study of French and botany—two studies in which he had, before the bank swallowed him, taken a deal of interest. And it is a pleasant feature of these two pursuits that they lead to an in-door and out-door life, which work well together.

And I must note here that I happen to know a very successful banker, who is also a most accomplished and enthusiastic botanist. But, to the suggestion in question. The young man adopted my recommendation; and, as I notice the profit and pleasure with which he follows up my plan, I can but use him and his work as a text for a homily for others.

As for the matter of the French, what a pity it is that our bank clerks, many of whom have been well grounded in it at school, do not, in their clerk life, keep it up—take it up and carry it along so far that they shall be able to readily read and speak the language. They will be likely to find such an accomplishment of great value to them. French is the world's language of finance.

In buying of a Boston banker a letter of credit for a little European travel I was about taking, I found that it was entirely written in French; and thus our American bankers generally draw them on London.

It is a very pleasant and convenient thing for a bank officer to be able to read a French bill if it comes into his hands for collection. And, if he ever goes to France, he will feel very much as a deaf and dumb man is supposed to feel if, when there, he can not talk French.

I must not forget to suggest that bank officers must beware of letting their outside hobbies interfere with their regular business; and, as far as what may be termed sedentary hobbies are concerned, they must be taken on with a good admixture of out-door exercise.

As a brief summary of the foregoing I will say, that the best advice I can give to bank clerks is to practice economy, give the strictest attention to the work of their profession, read and study, cultivate simple, inexpensive habits and tastes, and get all the legitimate comfort they can out of their work, and out of the hours outside of work as they go along.

And while following and enjoying this line of life the ambitious clerk will also be holding himself in readiness—steadily fitting himself as far as possible—for anything better that may turn up.

Without the possession of a proper and manly ambition a man is good for very little anywhere.

From the ranks of bank officers men have risen to very high positions in the general business and financial world. There are plenty of conspicuous illustrations of this point all about us, and there will be many more in the future.

CHAPTER XX.

BUSINESS AND PLEASURE.

Professor Huxley said, some time ago, that he had been reading Besant's novel, "All Sorts and Conditions of Men," and that he had found it one of the most entertaining books he had ever read. Whatever may be his or others' opinion of this story, there is in it one character most strikingly interesting to any one who has for a moment considered what is to be deemed the most unattractive tendency of service in subordinate positions in banks, other corporations, Government departments, and the like. This is the tendency towards stagnation—mental and even physical—a drift, not in the direction of improvement, growth, enlargement, but towards contraction, shrinkage and decline.

In the character in the novel in question—that of Brother Josephus—we have a man who, from a very long occupancy of an humble, subordinate position, where his labor was of the most simple routine character, demanding of him little exertion, either mental or physical—the same thing over and over again every day—done without the exercise of a particle of hope or ambition for better things, finally sinks into a condition well-nigh bordering upon imbecility; and when, at last, by accident, better things are offered him—a higher situation thrown open to him—he finds himself utterly unfit for the work—entirely unable to cope with the duties of the new position.

It does not demand any very wide experience with banks and banking to enable one to recall many instances of clerk life and manners which painfully remind one of the story of Brother Josephus.

There are many officers in banks to-day, good and faithful men, who have not advanced an inch since they first entered there long years ago, and who have, in all the time of their service, evinced no particular ambition to qualify themselves for higher and better things by studying into any matters even a small degree without the line of their special and subordinate duties. And when there has sometimes come to such rusty and stagnant workers opportunities for promotion, they have shrunk back and declined the advancement, feeling no sort of confidence in their ability to fill the better places. I have known instances where such men have made feeble attempts to take on a higher range of work, and then given up the trial and returned to their old positions.

The illustrations—the instances—of rust in banking which I have

given are, of course, extreme cases; but the rust exists, and these cases serve well to point my moral. Now, what are some of the causes of this rust in clerks?

RUST IN CLERKS.

In the discussion of this point, I now confine myself, as is natural in this place, to the consideration of bank work. But every one must fully understand that work of many other kinds has the same rusting effect as that of clerking in banking institutions. Department clerks, and those in general business service, are often found falling into sluggish routine ways of life and action. The daily performance of the same, or nearly the same, class of duties, month in and month out, year after year, must, in the first place, almost inevitably tend to this result. The work may be confining, wearisome—wearing, from its very monotony; yet, in time, it becomes a comparatively easy and machine-like task, requiring for its passable performance very little mental exertion. Mind is, in many points, very like muscle. Disuse of either is weakening in its results. As the bank officer may, after long experience, plod through his daily routine of work without much real exertion of the mind, because he has such long experience, it follows, of course, that his mind in time loses somewhat of its vigor, force and elasticity. Real, forcible, and most vigorous exercise is as necessary to the best health and development of the mind as it is to that of the body.

Another phase of the deterioration in question is shown in the fact that bank officers, long in one subordinate position of the character I have described, become, in time, quite in the habit of doing even their familiar routine work less skillfully and effectively than those with no better natural capacity who are fresh workers in such places.

Another source of the difficulty we are describing is found in the fact that long and constant subordination to the will, judgment and discretion of others is almost sure to have a narrowing, weakening, and contracting effect upon the mind. From the very nature of their positions the Bank Teller, Book-keeper, etc., are seldom called upon to settle anything in the way of general business matters except their figures and their cash. They are greatly in danger of becoming machine-like in their ways and methods. The tendency I have here described is a very unfortunate one—is one of the shady features of the business we are considering. But it is a tendency that can be very largely counteracted—hedged against—by the proper management of the individual.

The monotony of the banking business, or of the work and business of any other occupation or profession, becomes painfully burdensome, and is greatly deepened, by the habit of allowing the mind to sink into what might be termed a monotonous view of one's environments and daily duties. By sturdy resolution and a cultivation of a habit of mental self-management, much may be done to hedge against and ward off those unhealthy and most depressing habits of thought which

characterize many sedentary workers in such routine positions as those held by bank officers and many other classes of office and shop laborers. Let such dull and desponding ones, who are complaining that their existence presents no variety of scene and work, and that their days are but a series of monotonous periods of labor, bear in mind that in this life no two days can by any possibility be precisely alike. Instead of giving way to a kind of discontented-pendulum feeling about the future of their day's work, let them take the view that only one day at a time is to be taken care of—to be properly lived—and that each single day is best viewed when it is looked upon as a completed existence in itself, and as a sort of well-rounded circle of life and labors very like the entire life span of man. There is a remarkable similitude between the single day and the completed life. The morning is like the birth of the individual; the high hour of the day, with its activities, like the prime of life; the decline of the day like old age; then comes sleep, which is a brother to death.

It is quite likely that this desponding view of their business life succeeds an energetic and wholly different period. Some managers and clerks who have served long and faithfully in the routine paths of banking, by their industry and skill placing the business under their charge in such perfect and systematic running order that it has finally attained a machine-like perfection of movement, when that point has been reached fall into an indifference and loss of vital interest in their professional work. Assured of their position and the fair success of the institution, they grow inclined to let what they deem well-enough alone, and become anti-progressive, old-fashioned and unenterprising. A hint in time of the dangers lurking in their ways of life and work may be of no little value. They should be given to understand that they cannot stand still in this life either in business or in social spheres of action and must keep fully abreast of the times or be in critical danger of falling behind in the lively race in which they are pretending to take a part. Every one of their business days should be characterized by alertness in seeking out new methods and applying improved machinery in the administration of their business. They should continue to be, as business men, active and practical students in their special departments of financing.

And yet, admitting that the bulk of the daily routine labors of the banker, when viewed from a pessimistic stand-point, must seem to be of an absolutely drudge-like character, even labor that is uninviting in its sameness may have its value from its regularity and necessity. And this remark may with truth be applied to the greater part of the labor which devolves upon any professional man. The lawyer and the platform or pulpit orator have brief hours of enjoyment of the more brilliant and conspicuous work of their callings, but the major part of their lives and strength must be spent in monotonous and severe toil in the study, the office, in the committee-room and at the desk. Yet

the matter in view has a wiser and healthier aspect when looked at in a truly philosophical manner. Regular and absorbing daily occupation of mind and body under proper conditions and circumstances is an unspeakable blessing to man. The worker in a bank, either as an humble subordinate or chief Manager, ought to be thankful that it is his lot to be daily summoned to his office and desk for the purpose of fulfilling his share of the task of *work*, which is the natural inheritance of the race. The call to duty drags him out of himself—out of that natural tendency of the human mind to sink into stagnation and morbid conditions of self-consciousness; and, as like an intelligent machine he goes through the seemingly dull round of his daily duties he really fills a natural sphere of action and helps himself when he feels he is but laboring for others—for a subsistence, it may be, for those dependent upon him. Such is the constitution of our minds and bodies that it is argued with force by the wisest thinkers that the human race would sink into such a morbid state of self-consciousness, if it were not for their absorption by what are termed the petty labors and cares of life, that melancholia, insanity and suicide would be the result. A wise banker has said: "The every-day cares and duties, which men call drudgery, are the weights and counterpoises of the clock of time, giving its pendulum a true vibration and its hands a regular motion." In view of these facts, bank workers should study to acquire the habit of taking the most cheerful view of what are termed the shady aspects of their work—the cares, responsibilities and confinement incident to their profession.

Not long ago a bank officer who was ill, not from any organic disease, but from a mysterious nervous prostration, accompanied by great depression of spirits, and who had been morbidly secluding himself at home under the care of two young doctors, who had seen him daily sinking lower and lower in vitality and courage, was told by one of our most eminent physicians, who had made cases like his a specialty, to plunge out of his house—out of himself—and go regularly to business even if he had to drag himself there by holding on to the iron pickets of the street fences. The man went to work, and, owing to the companionship and absorption incident thereto, became a strong and healthy person.

In view of what I have just said relative to the advantages accruing to both mind and body from the pursuit of some regular, and, as it were, bread-winning daily occupation, the reader will readily conclude that I am not in favor of an early abandonment of business, either banking or mercantile, by men who have been wedded to the habit of daily work, and who are not mentally or physically incapacitated from its further pursuit.

I have observed that those bankers and merchants who have thrown off the harness under the circumstances I have just described have, in a majority of cases, regretted the change they made, and, in

very many instances, rapidly grown old, feeble, listless and stagnant, while their contemporaries, who have perhaps been forced by the pinches of poverty to keep at the helm of trade and finance, have kept themselves mentally and bodily as bright and active as crickets.

I have known of cases where men in banks who have worked themselves up by long and successful service to high and lucrative positions, and finally resigned to gratify a dream of idleness, have at last gladly availed themselves of opportunities to go to work again, even in subordinate positions, mainly for the sake of having something to do for a portion of the day.

I have also in mind at this moment the case of a most successful financier, who gave up business in the prime of life for the sake of enjoying in leisure and travel the large wealth he had accumulated. After three years of "still life" he plunged again heartily into the thickest of the fight, saying to me, "I have found that I could not enjoy reading Shakspeare all the time."

We recur to our point of guarding against "rust" and repeat that every bank officer should study how best to keep himself alive. Promotion, or the hope of promotion, cannot be an influence in this matter with all, for many of the best bank officers may be doomed to labor on in the same line of work through long years. But promotion is not everything. Every bank officer should make the best and the most of the place in which his lines are cast, believing that, in some points, it has advantages over the higher place he may be thinking about. He should not fail of doing everything that comes in his line of duties in the very best manner possible.

William Gray, the famous merchant, the first President of the State Bank, of Boston, was once accused of having been a drummer when a young man. His only reply was, "Did I not drum well?"

No matter how humble the work of your particular office may seem to be, do it in the best manner. And, at the same time, endeavor to learn all there is to be learned about the banking profession. Get the widest and broadest knowledge of the whole business. And, if promotion does not happen to come, you will win the respect of others, your own self-respect, and keep at a distance the blight of rust and stagnation.

Much help in the way of avoiding a tendency to experiencing the insidious effects of routine work and business life may be obtained by a profitable use of all out-of-bank hours in employments that shall both strengthen the mind and body—in studying and out-of-door exercise.

A great secret of true living is to have many interests—to let the daily way of life touch, as it were, upon as large a variety of conditions and situations as is practicable and consistent with a proper discharge of the individual duties and responsibilities of the particular occupation which is supposed to be the leading business of every person.

The profession of banking naturally tends towards the complete

absorption in it of the person who follows it. But this entire absorption is both unsatisfying and unprofitable. That bank officer is the best and most successful worker in banking, other things being equal, who is the most of a man outside of this narrowing business of ciphering and counting, recording and computing, and managing and financiering. If he has the happy faculty of completely casting behind him, when he shuts his cash books and his vaults, his shop-thoughts and shop-ways, and of plunging freshly into matters and things which are of the right sort, yet of precisely the opposite character to those which have absorbed and enslaved him during his morning hours of business, he will be the more successful as a business worker for such a habit—will come back to his desk twice the man for the refreshment he has obtained in the way we have indicated.

Resolution to live and move in this way will help a man immensely in his work of self-government in the premises.

Let the banker determine that he will be something more than a bank machine. Let him, when out of the harness of the tread-mill, cease to keep up the tread-mill gait, and, plunging, as one plunges into a bath, into an atmosphere as unbusiness-like as possible, restore to activity those mental and physical powers which are never called into action in his routine occupations and which as a consequence, would otherwise become rusty and stagnant.

HABITS OF STUDY.

People who are not willing to listen, to ask questions, to enquire into things, to learn of anybody who has some sort of valuable knowledge which they do not have, will not become the most intelligent people in the world. The fact is, no one man can know everything. There is no man so humble and so unlearned that he cannot, if an opportunity is given him, teach a person some valuable thing which it would be difficult for him to learn elsewhere.

Sir Walter Scott built up those magnificent novels of his very largely out of material he had gathered from conversations with the old men and women of the Scotch peasant class, among whom he had so long walked and talked.

William H. Seward's biographer tells us, that Mr. Seward always held that he could learn something valuable from every man he was thrown in contact with. And Mr. Seward knew well how to do this. He had, to a wonderful degree, the art of putting himself into easy and companionable relations with all classes.

But next best, says some one, to the study of men, is the study of books. And the most valuable books for any young man's study-table are not books of a general—a miscellaneous—character, but reference books.

Every young man who is anxious to become usefully intelligent—really well-educated—should resolve himself into an animated interrogation point. Whenever in his casual readings of newspapers,

magazines and general literature, he meets with allusions and references which he does not fully understand, or whenever, in mingling with men, he has questions suggested to his mind which he cannot answer, he should not give himself rest in the premises till he has solved the points over which he has stumbled. As an aid in this work of investigation, a good reference library is invaluable. Our imaginary enquirer should surround himself with just as many well-selected reference books as he can afford to buy—reference books of the character of encyclopedias, dictionaries, volumes of maps, manuals of geography, history and biography.

Persons living in large cities, where great libraries abound, may not be in such need of reference books of their own as are those who live away from the centres of intelligence and population. Still, it is a great comfort for the student, in city or country, to have such books as I have described right at his elbow—to own them himself.

I have thought, while cogitating over the points advanced in this paragraph, that I should like to be near, and have the full service of, the novel office described in the following curious advertisement from a late London "Times":

THE UNIVERSAL KNOWLEDGE AND INFORMATION OFFICE, REGISistered, 19 Southampton-street, Bloomsbury-square, W. C. Every single question on any subject and in any language is charged 1s. The charge for an inquiry which is not a simple question, but which involves many questions, or which may require much labor and time, can be ascertained beforehand or left to the Management. Prospectuses on application to H. Fisher, Esq.

BANKERS' INSTITUTES,

or bankers' and bank officers' mutual improvement societies, ought to be set up in every city or large town having a sufficient number of persons interested in banking and general financial matters to man such an institution.

Every young man who enters as a worker in a bank needs an opportunity to learn, as soon as he possibly can, all there is to be learned about the business he is to follow as a profession.

A great advantage for such a student is the possession by his bank of a well-selected banker's library—a good stock of standard books upon the subject of banking and general finance. And every bank should also subscribe liberally for the best banking periodicals; they are sure to contain much matter of fresh and living interest to the inquiring bank officer; and they should not only be taken in—they should be carefully studied. But, in the matter of libraries for the banker, there is an arrangement which I noticed in London, Liverpool, New Castle, Birmingham, etc., which cannot but commend itself fully to all city bankers and business men this side of the water. There have been established in the heart of these great English towns magnificent public reference libraries—libraries supplied in a most exhaustive manner with every class of reference books likely to be consulted by business men, and under the superintendence of librarians who are in

themselves walking libraries, and who are ready to be questioned at all times. Live bank officers are continually striking points where further light is wanted to satisfy them; and were one of these splendidly equipped reference libraries right at hand, they would often work them.

Another excellent aid for the progressive and studious junior, is an opportunity of becoming a member of an organization such as I have named in my title to this section—an organization whose objects should be the holding of stated meetings for the most practical discussions of the theory and practice of banking, and for the purpose of considering and maturing plans for the general advancement of the interest of the banking guild.

The secondary advantages of societies of the type suggested would be of a very attractive character; and among the most prominent of these would be the social pleasures and privileges which would be a very legitimate adjunct of these organizations.

While in London, I had opportunities of becoming acquainted with its flourishing Bankers' Institute. We ought to have here institutes of just about the same class in all our Clearing-House cities.

In 1850, the clerks of the Bank of England formed themselves into a banker's literary association. The Directors of the bank gave them at once several hundred pounds and a library, and also assigned, for the use of the association, rooms in the bank.

The great banking men of London are quite apt to be good talkers and writers upon banking and finance.

Mr. Gilbart, the late Chairman of the London & Westminister Bank, was an active member of a debating society of which Macaulay and Mill were members.

OTHER OUTSIDE HABITS AND ASSOCIATIONS.

As bank officers spend their days and their strength in positions of large responsibilities—in taking care of other people's money—it is, of course, expected of them that they shall conduct themselves in a circumspect manner, both in and out of the banks, which are their business homes. They should be careful about the company they keep in their out-of-business hours, and the character of the amusements and general recreative pursuits which they patronize.

Yet it is by no means desirable that they should be so under the harrow of the profession of banking, which they follow, as to be unable to throw off all thought of it, and all talk about it, when once they have shut their ledgers and their offices.

In order to the attainment of the most perfect freedom from those banking cares which are apt, in so many cases, to make the bank officer's after-business hours but periods of weariness and depression, it is well for him to cultivate an out-of-bank life, as far as occupations and associations are concerned, as entirely unlike that of his business hours as is possible.

As his inside daily life is of necessity one of a sedentary and confined

character, and involving considerable mental strain, it follows that the best outside life for him is that which brings him into the open air and keeps him out of sedentary and mental occupations. Long walks, gardening, chopping wood, riding and driving are better for him than chess, cards, late hours at places of amusement, balls, or parties.

That banker is certainly getting into bad ways, as far as his thoughts and environments are concerned, who can only heartily welcome as out-of-business companions those who can prolong his business hours and ways by talking to him about rates per cent., the general condition of trade and finance, and the prospects and retrospects of the banking business.

The level-headed and thoroughly competent banker gives undivided attention to his business during business hours, and in out-of-business hours is quite likely to make a daily practice of spending some little time in studies which are in the direction of his profession. But beyond this he gives his time and energies, if he is a wise man, to pursuits, hobbies, associations and recreations as foreign to business as possible, and will politely shun the person who threatens to carry him back by talk of interest, stocks and bonds, to that banking business which he is trying to be ready for on the morrow.

He should not forget to reap all the practicable advantage that comes from social enjoyments, and endeavor to be a good citizen and neighbor as well as a good banker; but there are limits to be set up, for his strength must be husbanded. He can discharge his political duties, yet it is not necessary that he should plunge into politics. He can do his share of work in religious, social and educational matters, yet it is not absolutely necessary that a bank Cashier should try to run a Sunday-school, a church with all its week-day evening meetings, or serve as chairman of a School committee or as a member of the Board of Selectmen or Aldermen. Bank officers have broken down under the attempt to be very prominent in public work and at the same time do faithful work at the bank; and there are bank officers who have neglected the interests of the bank in trying to do too much outside work.

I have mentioned particularly the "after-business" hours, but the time in the morning, before business, is a part of the day which may be made very valuable as a time for work and exercise. And the work in question will generally all be done before breakfast, since it is well for the clerk to put his breakfast hour as late as he can without making himself late at the bank. The weight and brunt of his daily labor must come between his breakfast and dinner, and he must put these two meals as near together as he can.

I am now speaking of the situation, which is almost universal in banks, where the officers cannot get their dinners until after bank hours.

Bank clerks should avoid late hours, and rise early. Sleep in the first portion of the night is quite generally held to be particularly

refreshing. And, by rising early, the bank officer may be able to take a little physical exercise and do a little profitable studying and reading before he takes his breakfast. Both the mental and physical work will help to improve his appetite for his morning meal; and, if he has a good appetite for his breakfast and eats a substantial one, it will of course stand by him well during the long strain of the forenoon at the bank.

THE VACATION.

An experienced and successful bank officer said that he believed in taking a vacation every day, and had succeeded in doing so. These daily vacations he did not propose to push into the place of an annual long vacation, for he also believed in and took his regular two weeks' furlough.

His statement was only his way of stating the ideas which I have been trying to impress upon my readers. The banker who does not succeed in cultivating the habit of daily throwing off banking—and by proper thought and discipline almost any man can do this when not ill—will break down early and find himself obliged to take a long vacation.

It is generally believed, and there are good grounds for it, that not only the bankers but most business men of this country are more prone to become completely absorbed in their regular occupations than those of the great European centres, who are very successful in their attempts to throw off the shop when out of it. They know better than the bankers of this country how to live a daily dual life in availing themselves of a vacation every day.

But a word in reference to the annual and actual vacation is what I have in mind.

The bank officer's first duty when his vacation time comes is to cut entirely loose from the bank and go away somewhere. He should carry out a programme that will change his general way of life not only in regard to the hours he has been in the habit of giving to work, but the time spent at home out of the bank. He should endeavor to obtain complete change of scene, of air, of surroundings, of companionship and of occupation. In order to obtain all these there is no necessity to make any great exertion or spend large sums of money. The bank officer whose life is passed in the city, should seek rest and recreation in the country or the sea shore at a season when those localities are likely to be particularly attractive. The officer of a country bank may find it pleasant and profitable to take a vacation at a season of the year when the great city is the most attractive to a man at leisure, and he may find it pleasant to spend his fortnight in "doing" the leading sights of the metropolis and mingling in the rush and whirl of a life which is to him a novelty and an inspiration. A bank officer's life and work is mainly of a sedentary and mind-wearing character. He should at all times bear in mind that what he needs

most during his absence is out-of-door life and freedom from mental labor.

There are bank clerks who have been in the habit of spending their yearly two weeks' vacation in getting on express trains during midsummer and going like mad as fast and as far as possible without any special regard to the direction or attraction of their route. They have generally returned to their desks the worse for their "rest" from bank work. A certain amount of car riding is often a necessity in order to get to a change of scene, but the traveling part, where steam cars have to be used in hot weather, should be deemed only a necessary evil and made as short as practicable. In New England during spring and autumn a journey by horse, either by wagon or in the saddle, is delightful, but in hot weather they should be carefully avoided as something painful and unrefreshing either to mind or body. Trips by water in summer are delightful to people who are fond of the sea, but those who are not and those who are subject to sea sickness should carefully shun steamers and yachts. Most bank officers have families. Those so situated can hardly do better, during a summer vacation, than take their families into some pleasant rural region which does not waste money and time to get there and back in hot and dusty trains, where in green fields and under pleasant skies, with new surroundings, the short furlough may be made to glide by like a pleasant dream.

CHAPTER XXI.

BONDS OF SURETYSHIP.

All bank officers give bonds. The custom of so doing originated on the other side of the water. But why they should so universally be required to do this, while clerks who work for individual employers are just as universally exempt from bond-giving, is a matter not quite clear to most minds. In both cases the men are liable to occupy very responsible positions, and to have in charge the interests and property of others.

In the case of bank officers, the property in their hands is that of the shareholders of the bank.

The clerk for private parties takes charge of the money of his individual employer, who may be even more disastrously affected by any breach of trust on the part of his clerk than is the individual shareholder in the bank.

And there are many cases where the business clerk may, by a defalcation, spread distress and ruin over just as wide a field as that which is apt to be disturbed by the irregularity of a bank officer.

And, after all, I ought to state here that it *is* quite common in London and other English cities for merchants to require from their clerks security for the faithful discharge of the duties of their positions. And in some instances, though rarely, this practice has been followed here.

On receiving a notification of his appointment, our bank officer is informed that he will be expected to secure at once bonds to the amount of a sum named, signed in a responsible manner. And the sum named depends upon the rank of the position assumed, and upon the salary attached thereto.

At least this is supposed to be the system upon which this matter is arranged, though I have known instances where banks have set up rules regarding bond-taking which seemed quite out of harmony with their customs in regulating salaries and responsibilities.

The bonds of bank officers generally range all the way from the thousand or two of the Messenger or extremely junior under-clerk, to the thirty or forty thousand dollars of the Cashier.

Presidents give no bonds. I have heard it argued quite vigorously that these officers should do so.

The form given on the following page (see Form 76) is an illustration of one in general use in banking institutions. It is that

of a bank officer's bond—the chief points, with the legal repetitions eliminated:

Know all Men by these Presents,

That we, Samuel White as principal, and Lewis Smith and Henry Johnson as sureties, are holden and stand firmly bound unto

The Rhodes National Bank, of New York,

in the sum of One Thousand dollars to be paid unto the said Rhodes National Bank.

Whereas, the said Samuel White has been duly appointed to the office of Cashier of the bank aforesaid, by the Directors thereof, and has signified his acceptance of the said appointment:

Now the condition of this Obligation is such, That if the said Samuel White shall faithfully discharge the duties of his said office and all other duties that are, or may hereafter be, prescribed by the President and Directors, for and during the term for which he has been so elected, and for and during such term of time as he may continue therein, by any re-election or otherwise, then this obligation shall be void, but otherwise shall remain in full force.

It is, however, understood, that in case of the death of either of the above-named sureties, or in case either of the above-named sureties shall at any time give notice in writing, to the President or Directors, for the time being that he does not wish to be held any longer responsible on this obligation, thereupon both of the above-named sureties shall be discharged from liability on account of any default of the said principal which may occur after thirty days from and after the notice of such death, or of such wish to be discharged as aforesaid.

Signed and sealed in presence of

Witnesses:	Chas. Waterman.	Samuel White (SEAL.)
	William Goode.	Lewis Smith (SEAL.)
	B. L. Rollins.	Henry Johnson (SEAL.)

Form 76.

"WELL AND FAITHFULLY."

An expression which embodies the central point in the form of fidelity bonds most in use in banks is one over which there have been many lively debates and many sharp legal contests in courts in various States, with varying results—decisions of many hues. Without entering into an exhaustive legal discussion of this point of the rights and responsibilities of banks and their employees under bonds which guarantee officers in the phraseology we have quoted above, a few practical reflections and suggestions germain to the matter are in order.

These bonds are, primarily, guarantees—insurance of the officer's honesty. And yet, no one can question that they cover other contingencies. They may be held to insure the employer against the carelessness, the thoughtlessness or the willful neglect of the bonded employee.

But any attempt to fasten upon the bond other responsibility than this is sure to open up questions that must, when in dispute, be referred to courts—to juries and to judges.

It has been claimed that this guarantee, that an officer's duties shall be performed "well", holds the signers of such a bond responsible for losses that may come from an officer's want of skill—his dullness and stupidity. But it would seem possible that the employer—the bank—ought to be somewhat responsible in these regards. It ought to know, when it selects an officer, whether or not he has natural fitness for the work it is to give him—whether his abilities are equal to the task it sets before him. And the bank, which has better opportunities than the bondsmen for judging in these matters, should make the most strenuous endeavors to start right in the selection of its clerks, and should be quick to move in the matter of correcting any mistakes it may have made in making up its staff, by retiring unsuitable men.

In a celebrated legal contest, covering this point, it was finally held that a bank officer who did his work as well and faithfully as he knew how had lived up to the letter and spirit of his bond, blunders and consequent losses to the contrary notwithstanding.

There is another item of considerable interest belonging to this bond question.

To make errors is a part of the system of banking, if I may so express myself. That mistakes must occur in running the machinery and working the methods of the best regulated banks is a fact that must be discounted. An able, skillful, honest and faithful bank officer cannot be expected by his bank, nor can he himself hope, to run along in any leading and highly responsible position in a bank—say like that of a Paying-Teller for illustration—year after year without making errors which entail loss of money.

It is for common sense and common law to say what sort of a division of the risk of a business of this kind shall be made between employer and employee, and what service and how many errors are in any given circumstances consistent with the faithful discharge of duties.

"AND SUCH OTHER DUTIES AS MAY BE PRESCRIBED."

This is another expression in very general use in bank officers' bonds—an expression intended to hold the signers thereof fully responsible for the bonded man's faithful discharge of whatever duties may be assigned to him by the bank which has retained him and specially bonded him for a particular office.

In the current workings of a bank, especially where the institution is a large one, with many departments and many clerks, it is inevitable that there should, from time to time, be more or less shifting of men and changing of works. Vacations, sickness, stress of work in some departments, and current light work in others, demand these transfers. And the wording in the bond, to which we have called attention, was intended to cover the risks incident upon these changes—to guarantee

that the officer bonded—for instance, as a Teller—should also be under the same guarantee if temporarily transferred to discount work.

But it should be fully understood by banks and their employees that there are well-defined limits to the extent to which this very general guarantee can be extended. The expression in question has been passed upon by courts, and the decisions which have been reached, and which would seem to be entirely in harmony with common law and common sense, are to the effect that the bond will only hold when the extra work—the work other than that for which the officer has been retained—is of a character not inconsistent with those duties in which he is regularly employed—not out of the line of work to which he is accustomed, and which he has been particularly hired to discharge.

It cannot, for illustration, be supposed for a moment that bank Directors could, under this clause, with bond safety, direct a Messenger, entirely unused to the Paying-Teller's duties, to take charge of a Paying-Teller's department.

There is another bond-point of value which deserves particular notice. Banks are pretty sure to lose their hold upon signers of officers' bonds, if their Directors misuse, mismanage, and, in a general manner, misdirect the bank in their charge. There have been several suits at law, in bank-wrecking cases, where this has been made evident.

CARE OF THE BONDS.

After a bank has accepted an officer's bonds, they are filed away, against a time of demand for them and should be in charge of the President or the Board of Directors of the bank, and in a secure place. At least once a year, a committee of the Board should go over these bonds, making a careful examination of them, and should make a report of the results of this examination to the full Board. This report should be made in a formal manner, and entered on the Director's record.

I have known of many very surprising instances of neglect in attending to this matter of supervising the life of bank officers' bonds. The most notable cases of this sort have been made prominent in instances where banks have failed and passed into the hands of Receivers, who have sometimes discovered the officers' bonds to be of very little value, because their signers were mostly persons who had failed or died long ago, or who had never been financially responsible.

WHICH ARE THE BEST BONDS?

There are few points of more vital interest to bank officers and bank owners than those which relate to the comparative value of the bonds of bank officers which are furnished by the Fidelity Insurance Companies and by individual signers of bank officers' bonds. Although the merits and demerits of these two systems of bond-giving are just now being discussed quite earnestly in National bank circles, and the

company insurance-system is coming more and more into vogue, there seems no immediate prospect of the entire abandonment of the old-fashioned way of bond-giving—that of furnishing as hostages an employee's best friends. There are to-day on the bonds of bank officers of New England, if not of those in all quarters of this country, far more individual sureties than those of guarantee companies.

On behalf of the security supplied by the guarantee companies there are many very strong arguments to be urged. I have only the space to point out a few of these, and, as I do this, I propose to weigh them impartially.

It is said that it has always proved very difficult to collect individual bonds, where default of the principal has led banks to levy upon them, and that, in a vast number of cases of defalcation, the banks have completely failed in their attempts to realize upon these individual bonds. I readily allow that this has been the case, but these failures have often been the result of carelessness upon the part of the banks in not renewing bonds of officers when they have changed their positions in the banks, or in not exercising due care relative to these securities in some other points.

It should also be borne in mind in this connection that banks will find it no easy task to collect a bond of a guarantee company if that company has been legally released by the negligence of the bank; and it should also be still further borne in mind that it does not always follow that a guarantee company will in every instance prove in the end a better debtor on a bond than an individual; for in these days corporations collapse as well as individuals.

Another important point in favor of the methods and management of the guarantee companies, and one which is not always alluded to in discussing the matter in question is, that guarantee companies not only aim to fully assure themselves at the start of the worthy character of the men they insure and will not insure a man unless they are quite confident they know all about him, but they follow him up. They institute a watch over the way and walk of the men upon whom they have taken risks. And if by this justifiable supervision—espionage, if we may be permitted to so term it—they find that a man is unworthy of their confidence—a bad risk—they will stop insuring him and withdraw their policies. And such a withdrawal is equivalent, of course, to a note of warning to the employers—a note of warning which may often be of very great value.

It must certainly be acknowledged that the individual signer of a bank officer's bonds has quite often very infrequent opportunities of watching the business and private career of his man. Let us hope that he will seldom find need of doing this.

And there is still another point to be scored in favor of the standard guarantee companies in this country and in Europe. They have from the first been prompt and vigorous in following up, prosecuting and

punishing clerks and others who have broken faith under their fidelity policies. They have proved themselves enemies to the practice of compromising with defaulters and thieves. We have had, under the old system of bond-giving, some most scandalous instances of compromising with rogues who have been able to pay back tempting proportions of their abstractions, and this commendable course of the guarantee companies should be recorded to their credit.

Some claim that excellent men are sometimes kept out of good situations in banks because they cannot secure individual bondsmen. I think that such instances are exceedingly rare. I have never observed even one. But I have known unfit persons to be thus shut out from the places in question.

Others urge as an argument against the personal bond system that bank officers place themselves under very disagreeable and even dangerous obligations in accepting bonds of this character, and in very unpleasant positions in asking for them.

But the thoughtful man, who fully recognizes that we cannot get along in this world without being under obligations to everybody, on all sides, will give but little heed to this objection and will consider contingencies of this sort as so extremely rare as to be hardly worthy of being counted as a force in the premises.

These individual bonds are generally signed by kind and generous men of means, for the simple purpose of helping along the deserving. They neither hope for, nor wish for, any other recompense than the consciousness of having done for others what they would like others to do for themselves under similar circumstances.

It often affords a good man a deal of satisfaction to help along a young man by signing his bonds; and, in a vast majority of cases, he takes very little risk, and a good deal of pleasure, in so doing. The rich man, who is a wise and good man, is aware that it is as necessary for him to keep the pores of his heart open as those of his body, if he would enjoy good mental and physical health.

MORAL VALUE OF A BANK OFFICER'S BOND.

But, after all, what may be termed the moral value of a bank officer's bond is something deserving here of careful consideration, since upon this point hang the main issues of the question we are discussing.

This moral value of a bank officer's bond may be large. Its actual money value, compared with the opportunities which exist under it for going wrong, is almost always really insignificant. The bank officer gives a bond for ten or twenty thousand dollars, and enters upon a position of trust and great responsibility, where he may, if dishonestly disposed, default in hundreds of thousands of dollars.

And this moral weight and force of a bond must always depend largely upon the character of its origin. It is an hostage given—a testimonial furnished. And when signed, without compensation, by the personal friends and family of a bank officer, who have the best

opportunities in the world for knowing what he is and what he is likely to continue to be, it is in many respects the best sort of hostage and testimonial that can be given, and the last one that is likely to be violated or prove valueless.

The bank officer who wilfully violates bonds of this sort, ought to be consigned to a treadmill for life. I am glad the record shows that marvellously few of them have done so.

The guarantee companies have a good field before them, and can do a good work—can work along in perfect harmony with the individual bond system. They are specially needed in cases where probate, or official bonds to the government, of vast amounts, are required.

TAKING THE OATH.

In the early days of banking in this country, when this business was all done under State laws, there were in existence many curious methods of practice in the administration of the internal affairs of banking institutions. It was quite a common thing in those old days to require all bank officers to take an oath of office, but I believe there is no record whether the bond was considered as supplementary to the oath or the oath as a postcript to the bond.

Here is a form (see Form 77) of one of the old-style oaths—one that was administered down to a period as late as 1854 to the officers of a leading Massachusetts bank, which is still running along and doing a safe business without the use of oaths of this sort:

"I ..... George Smith ..... do solemnly swear that I will faithfully, and to the best of my ability and knowledge, perform the duties now assigned, or which hereafter may be assigned, to me as ..... Cashier ..... of the ..... Standard Bank ..... and that I will not impart any knowledge of the concerns of said bank, except to those persons who have the direction thereof, unless required in a Court of Justice, so help me God.

"(Signed, etc.) George Smith."

Form 77.

This custom of swearing in bank officers is of English origin, and I found the English banks still following it.

FIDELITY COMPANIES' INQUIRIES.

It will be of interest to notice the thoroughness with which one of these guarantee companies looks up a man. When persons apply to one of these companies for an insurance of their fidelity, they are requested to give the names of at least three parties as special reference —persons to whom they wish applications to be made for knowledge of their character, standing, general habits, and natural qualifications. The company uses the names as suggested. They also take additional measures to acquaint themselves with their bond-seeking men. Among these methods of inquiry is the following:

They employ the mercantile agencies of the country—concerns

which have excellent machinery for the work—to make exhaustive investigation of these applicants. And the character of the investigations they undertake is best shown by the following copy (see Form 78) of one of their examination papers—an actual working model, names only changed:

(N. B.—It is particularly requested that no inquiries be made of the Employer or Employee in any case.)

Please give us in confidence, and for our own exclusive use, what information you have respecting J. E. Smith, age 26 for the past 6 months employed as Book-Keeper by the South National Bank, at Kingston, County of Essex, State of Iowa

Remarks:

INFORMATION DESIRED.

Is he married? No

If so, what family?

Does he board, or is he a householder? Boards with father

Are his habits good? Yes; only fair, not strictly temperate.

Is his style of living compatible with his position? No doubt

Are any of his family (depending on him) of extravagant or bad habits? No

Is he honest and of good general character? Yes

Has he any property, and, if so, what? Don't think he has

Is it encumbered?

If in debt give particulars? Don't think he is in debt

General reputation for reliability, etc.? First-class

Remarks:

Montreal, November 7, 1890. Subscriber No. 506.

Form 78.

OFFICERS' BONDS WITH EXTENDED NATIONAL BANKS.

Under the very general renewal of charters by our National banks, there has arisen an interesting and most important question relative to the *status* of the bonds of their officers in this form:

When a bank gets an extension of its charter, is it obliged, for its own safety in the premises, to call upon its officers for a renewal of their personal bonds?

The point has been made by A. S. Pratt & Sons, of Washington, the Washington agents of many National banks, that re-chartered National banks should, as a measure of prudence, require from their officers a renewal of their bonds, because the question whether such a renewal is needed has never been passed upon by the Courts, and it has been difficult to collect bank officers' bonds on account of technical defects found to exist in them when they were brought to the severe

test of a lawsuit. They have scattered widely among the National banks, in a digest of reorganization duties prepared by them, the statement that one of these duties is a renewal of the bonds in question. The banks receiving this "digest" very naturally concluded that it was a digest of existing laws and decisions relative to those questions. But it is important to remember that the statement of the renewal being a necessity was not made as a conclusion of law but as a suggestion.

I think that the recommendation is an unwise and unnecessary one, and unhesitatingly answer the question, stated above, in the negative. The reason for this opinion is found in the National Bank Act. And it is a matter of surprise that many intelligent bank Managers, with this Bank Act before them, have obliged their corps of officers to go through all the trouble of making the renewal in question.

Here I let the Bank Act speak for itself on this subject. It makes the plain declaration, for the purpose of covering this and similar points, that the bank which extends its existence, by a renewal of its charter, "shall continue to be in all respects the identical association it was before the extension of its period of succession."

But, if the charter-extended bank was not thus legally proclaimed the same bank, the form of bonds almost invariably given by bank officers would stand firm and strong with the renewed institution, for their reading, in very vital clauses, is as follows:

"as sureties are holden and stand firmly bound and obliged, unto THE RESERVE NATIONAL BANK OF NEW YORK, in the sum of dollars, to be paid unto the said RESERVE NATIONAL BANK, THEIR SUCCESSORS AND ASSIGNS; unto which payment, well and truly to be made, we bind ourselves, and our respective heirs, executors, and administrators, jointly, severally, and firmly, by these presents, etc., etc."

It is easy for any intelligent banker or lawyer, by studying the bonds and the United States laws, to reach the conclusion that there is no real need of making the change in question when a bank obtains an extension of its charter.

If there is no necessity for so doing why put bank officers and bond-signers to the trouble of going through useless forms simply because parties who have not carefully studied the matter hinted that, as a matter of prudence, it would be better to obtain the renewal.

CHAPTER XXII.

COMMONPLACE CARES.

It has always been a question with banking men whether banking rooms, in our large towns and cities, should be located upon the first or second floors of their building. Some excellent bank Managers are heard asserting that they could never think of having their banking rooms up stairs, while other good bankers assert, just as strongly, that it is a very poor plan indeed to locate them on first floors.

There is much to be said on both sides of this question. There has been, of late years, a very active, and, in some respects, an over-done competition among National banks for business—for deposit accounts. This competition, which has culminated in the adoption of the very wide-spread custom of paying interest upon demand deposits, and granting immediate credit, free of exchange charges, for deposit of checks and drafts payable far and near, has also led bank Managers to cater for trade through the influence of very elegant banking apartments upon the ground floors of attractive buildings situated in central locations.

Without doubt it is now the general opinion that there has been, in very many quarters, too much extravagance and ornateness of display indulged in, in fitting up bank rooms. Within the last few years there has been a reaction in this matter, and the Pullman-palace-car style of arranging and fitting up banking quarters has been giving place to ideas of simplicity and propriety in this matter.

"The best trade," if we may be pardoned for using the expression in this connection, is, in these days, more likely to be diverted from, than attracted to banks by plate glass, gilded rails, marbled counters, and rich decorations.

It is urged in favor of rooms on the street that such are more likely to attract paying business, since the average depositor of the period is in a hurry and does not wish to climb up stairs. But this objection to climbing rather fades away in the light of the reflection that this average depositor generally keeps a good supply of boys, who will go where they are sent, and who can go up the stairs two steps at a time without much thought.

I do not forget that the bank wants also to be accessible enough to lend its money easily, but I have noticed that borrowers who hear that a bank has gained largely at the clearing usually find very little difficulty in climbing stairs in search of low-priced money. If an

advantage of convenience is upon the side of the low-down bank, that of great safety in many points is with the one up-stairs.

Of more importance is the question of the internal arrangement of the rooms. At any rate this matter is of pre-eminent importance to the public and to the working officers of the bank.

It is, of course, exceedingly desirable that all banking rooms should be well ventilated, well lighted, and properly warmed at seasons needing artificial heat.

In the matter of ventilation, there are plenty of theories afloat. In giving attention to this point, adopt the most sensible and advanced ideas regarding the matter, and see that they are carried out.

The best winter ventilators of any room are open fires in a grate, or the old pattern Franklin stove, Professor Williams of the Royal Society to the contrary notwithstanding.

I have in mind one of the pleasantest banking rooms in the country, which is heated and finely ventilated by a fire in a large old-fashioned Franklin stove, to which is attached long piping of Russia iron.

Apparatus for the use of wax in sealing should have special ventilating, smoke-clearing, arrangements.

For material for the finish, desk, and counter work, ash, oak, or cherry is much preferable to any darker woods.

In small banks, where only one or two officers are required, the room arrangements, as regards situation of desks, counters, and general accommodation for the public, can be quite simple and yet of a neat, attractive, and convenient character.

But in planning accommodations for many departments, a heavy corps of clerks and a very large business, banks are called upon to exercise the most skill and common sense in fitting their working machinery—rooms, desks and public counters—to meet the demands of their situation.

It is poor economy to give the clerks scant room. They should be generously supplied with space in which to do their work, plenty of desk room for the books, and plenty of counter room for handling money, sorting checks, etc.

Then the desks should be so arranged as to put to profitable use the best daylight the location of the rooms will afford. If there are dark corners and windowless recesses, they should not be occupied by officers who are to be constantly called upon to handle money, to be on the watch against taking bad money, to pay checks, and to be on guard against paying forged checks, but should be used by the public, who, in dealing with the bank, come and go quickly, and are not so specially in need of the brightest light. In fact, all the bank officers should be given the best possible light, while the Directors' rooms, reception rooms, etc., can take up those portions of the area which cannot be so well lighted.

It is in the direct interest of a bank that the health and eyesight of

its officers should be protected as far as possible; and officers who are condemned to work by gas-light in banking hours are endangering both health and eyes.

There are very many instances in banks where architects, who have not had in view the right end, in arranging desks and counters have deliberately consigned bank Tellers and Book-keepers to a life of gas-light misery by giving them the dark side of a bank and the public and the Directors the best light of the room.

Tellers should be located where the dealing public can readily reach them.

Book-keepers should be within easy reach of Tellers, particularly Paying-Tellers, for these last officers are continually wishing to consult ledger balances, without noticeable delay or objectionable conspicuousness.

It is not at all pleasant for a check-drawer, particularly if he is an honest and sensitive man, to be called upon to observe balance-hunting delays over his good check. Customers have been driven from banks by obnoxious points of this nature.

Cashiers should be placed where they can quickly consult with Presidents, where working Presidents are in the chairs.

Messengers and Collection Clerks should be located near each other, for the Messenger is the assistant—the complement of the Collection Clerk.

Discount officers should have their desks where they can be conveniently reached by the customers of the bank.

Every bank should have, if possible, a reception room, where officers can meet callers, a neat lavatory, and a lunch room.

With the bank rooms thus thoughtfully and conveniently arranged the next point in order is as to their daily care.

CARE OF THE ROOMS.

There are few if any reasons why all banking rooms should not be clean, and if they are otherwise it is not as a general rule because the shareholders do not desire that they should be so, as they are perfectly willing to pay to have them kept clean, but it is on account of the carelessness and want of taste on the part of the Directors or Cashier and their neglect to see that subordinates, particularly the Messenger or janitor, do their duty.

Nothing short of the strictest order and neatness should be accepted as the result of the janitor's labors.

A dirty, badly ventilated bank room is not only demoralizing and injurious to all its officers but it is bad in a business sense because the opposite state of affairs draws business by attracting new accounts. Why is it not a good idea to have the windows of a bank kept clean, its floors and stairs scrubbed or varnished, its walls and ceilings neatly colored, its public desks well supplied with public stationery, its desks tidy and its floors not littered with stray papers? The interiors of

many of our banks are open to considerable improvement in this direction. Bankers have an idea that our cities eclipse the world in the cost and elegance of their banking rooms. It is a fact that many of them have been fitted up without much regard to expense and in some instances with unwarrantable extravagance, but some of the most ornate of these offices are as open to the charge of untidiness as the humble little banking rooms in the corner of a wooden house in the rural districts.

No offense is intended by presenting any unfavorable comparisons, but the banking rooms of our American towns and cities are not upon the average nearly as neat, tidy and appropriate for their business as those of foreign countries.

CARE OF THE BANK WASTE PAPER.

Neat and tasteful waste-paper baskets should be supplied to the various departments of the bank, and there should be a rule that no piece of paper of any sort should be thrown, or allowed to remain on the floor of the rooms. Otherwise, money or valuable documents may be lost by dropping them accidentally into a confused mass of litter under foot, while if the floors are kept scrupulously clear of all paper the fallen check or bill will at once attract attention and be rescued instead of being lost in the mass—taken to be waste-paper like the rest of the litter.

But even in the waste baskets lurks a source of danger, and valuable papers may quickly through accident, be hidden in them, and soon be consigned to the janitor's rubbish heap, where an early sale or destruction impends.

To avoid this difficulty the bank waste-baskets should be emptied as fast as filled into some safe corner in storage rooms, where they should be carefully preserved for a considerable time. The reasons for this course are evident: It was the middle of July; and, in a final examination of an account rendered by a corresponding bank, we found that we had not given the correspondent due credit for a check remitted us the middle of June. Letters showed that we had duly received and acknowledged the check, but further trace of it could not be found; and it had never been presented and collected. Under the best of systems such a thing will happen. The janitor was summoned. He was given a description of the missing paper and directed to hunt for it in his June waste-paper. The hunt was a weary and dusty job; but the check was found in the pile, presented and collected.

Here is a handy and perfectly practicable plan for caring for the paper in question—a plan which I have introduced into a large bank, and which has served its purpose well:

Plain cotton bags, of a size sufficient to hold the contents of a week of waste-paper baskets, are prepared to the number of eight. When one is filled with the contents of a week's waste baskets it is tied,

dated and stowed away. The bags are thus filled, week after week, till the entire eight are all stowed away in the order of their dates.

When another bag is wanted for the papers of the next week that which was filled first and bears the oldest date is emptied into a bin and the bag used again with a newly dated tag.

By a continuance of this system the waste-paper of the last two months will always be within easy reach, and in consecutive order, each weekly accumulation by itself in one bagged division. Two months is about as long as a large and busy bank can hope to keep in hand its waste-paper; and if it can do this without getting it into such inextricable confusion that the porters in search of lost papers of value have to hunt through all to be sure they have examined a given day, it will be better than many large banks I am acquainted with have so far succeeded in doing.

I will also add a suggestion, that the contents of each basket be carefully examined by some one competent to distinguish valuable papers from worthless ones before they are put out of sight.

BANK LOCKS.

Without doubt the best that can be used are of the self-operating time-combination class. These are the finest fasteners for the doors of bank vaults that have so far been invented.

As an illustration of the progress which has been made in the last few years in a single direction in this matter of material protection for the valuables of banks, it is interesting and important to note that the combination lock, which in its earlier stages was comparatively easily made a victim to Mr. Yale's wonderful micrometer, has now been so improved and perfected as to absolutely defy the searches of this little detector.

Unquestionably, ingenuity exercised in the lock-making direction may in time develop new types of locks which will entirely eclipse anything in that line now in use and will make those now recommended seem clumsy and antiquated. We have, however, to deal only with the present. The duty of every bank Manager is to see that the bank in his charge is provided with standard vaults and locks of the period. In the matter of caring for the property of his shareholders he is bound to exercise due diligence. In acting as the custodian of special deposits and collateral that are the property of his dealers the law will hold him liable for loss which is the outcome of negligence in not providing proper protection in the way of safe vaults, doors and locks. It is not a valid defense for a bank which has been entered by burglars to argue that it has taken as good care of the collateral upon which advances have been made as of its own special securities. It will be called upon to show that it has maintained the customary and proper guard and that it has not fallen into hasty and careless ways.

There are a few points relative to the modern lock—the combina-

tion lock of various patterns and various degrees of merit—which should be noted.

The President of a bank should place a record of all the combinations under seal in the vaults of some other bank or safe deposit company.

The doors of vaults which are locked by combinations should have double sets of locks so that if one set gets out of order the doors can be opened by using the other.

When combination locks are placed in the hands of locksmiths to clean and repair, their combinations should be changed when they are received back before they are again used. The following somewhat sensational statement taken from a lock-maker's circular proves this to be a necessary precaution:

In SEVERAL INSTANCES there have been found experts, locksmiths, and others in large towns who have upon their memorandum book the combinations of all the safes of the principal business houses and banks of that town or city, and can go at any hour and open them or give information to others who can then do so.

Vaults and locks should be often examined, repaired, improved and exchanged, and every bank Cashier should remember one remarkable fact regarding the modern combination lock. If not properly looked after, regularly and thoroughly examined and cleaned it will be liable to shift and change its combinations while being manipulated in the regular manner. Instances where these locks have themselves changed their combinations in this way have come under my notice.

In some banks a danger has been allowed to creep in which did not often exist under the old-time fashion of the key locks. Then, well-managed banks were sure to arrange that the keys of the inner and outer doors should be given into the over-night custody of different officers; but of late years I have been cognizant of instances where very large banking institutions, with combination locks upon their most important vaults, have allowed one officer (the Cashier) to carry in his head all the combinations, by this arrangement giving him the opportunity to go to the bank at any time of the day or night and open everything—to pass through the inner and outer doors of all the strong rooms. One great point of danger in such a lock arrangement is found in the fact that burglars can capture such officers and conduct them alone to bank vaults, which they have full power to open without the necessity of summoning others.

The large diamond and jewelry dealers of London can teach such banks a profitable lesson in the locking-up business. I have been observant of instances in London where dealers of the class I have named have *seven-man vaults*. That is, they had strong rooms which it took seven men to open. One of the men had the master-key of which the other six had a part. The doors could neither be locked nor unlocked without the presence of the seven persons. Every night a pass-word was given out, and the wards of the lock were arranged according to the pass-word.

There was a time within the remembrance of most experienced

bankers, when the vaults of all the banks of the period were locked with keys of cumbrous size, and many were used to a single door. In the best arranged old-fashioned banks there were at least two huge iron doors to each vault and at least two sets of locks and keys to each door. A portion of the keys to each vault were generally taken home by the Cashier when the business of the day was done, and another portion—the complement of the first—were taken by the Messenger to the house of the President and by him put in a safe place.

In some banks, where the work extended far into the night—notably the case with the Suffolk Bank at its busiest season during the famous redemption period—the Presidents had to sit up late at night waiting for the Messengers to come with the trunk of keys, for there were so many and such heavy keys in use by every bank that they had to be carried in small boxes specially made for them.

No single officer of any bank should be the custodian of the entire set of combinations to a vault. It is unsafe for both bank and officer.

BANK WATCHMEN.

The best bank watchman is the best vault, safe, strong room, or whatever the safe deposit place of the bank may be termed, that can be constructed within the means at the disposal of the bank for setting up this part of its banking machinery.

In the matter of selecting locks, safes, vaults, etc., get the best, for the best is none too good. And the next agent of a standard manufacturer of articles in this line that comes along will not hesitate a moment to say what is the best.

I have not the time nor the inclination to enter into any close discussion of the merits and demerits of the various styles of locks and vaults which are being pressed upon the attention of bank Managers. Every intelligent banker should study into this matter for himself, and not rest till he feels confident that his bank is well fortified in point of safe, vault, and lock appliances. Common sense, general intelligence, and the average of acquaintance with mechanics, are all that is needed to enable a banker to decide for himself in the premises in question. There have been the most marked improvements made in the construction of strong rooms during the last ten or fifteen years, and all the methods and ideas relative to this sort of work are matters of public information.

The vaults of the Bank of England, the wonderful fortifications of the National Safe Deposit Company of London, and the spacious strong rooms of the banks of that city are, perhaps, as good models of work of this sort as can be found in the world; yet I found their Managers ready to show them to enquiring strangers, and I saw in London papers explanations, which I preserved, giving the most detailed accounts of the way some of the last and best of the strong rooms were constructed.

But give a burglar time enough and he can get into any of these

strongholds. What honest mechanics have builded dishonest mechanics can batter down, or grind into, if time enough is given them.

Every bank that can do so, should have private watchmen sleeping at the door of their treasures, and should avail themselves, also, of all the modern electric burglar alarm safeguards. The bank which does not keep alive in this matter of mechanical, and every other sort of protection for the property of its shareholders and customers, assumes an unwarrantable responsibility—will find itself open to direct censure if troubles come through its carelessness in this matter.

It has sometimes been urged, as an argument against the employment of watchmen, that it is not right to put men in such hazardous positions, simply for the protection and preservation of material property. It is in view of such an argument as this that some bank Managers, who have believed that there was nothing that could take the place of a good watchman in a bank, have used the most careful means to secure his personal safety while on his lonely vigils. Here is an instance illustrating this point: One bank has had its vaults so constructed that they rise like a round tower through the center of their banking rooms, and are thus open to inspection on all sides. The night watchman ascends from the banking room by a ladder to a secluded and well-protected room above the banking rooms and vault doors, and pulls his ladder up after him, from which point of vantage he can, in case of need, look down and shoot down, and raise alarms through electric connection with the police.

Another bank, with the same humane end in view, has placed about their watchman the strongest iron doors and shutters, which are only visible and only in use after the watchman has taken up his quarters for the night, at which time they are closed over the ordinary doors and windows.

The most vulnerable point about watchmen as an institution, and, therefore, the most serious objection that can be urged against their employment is, that unfaithful men in such positions are a great source of danger, since the valuable information their situation necessarily gives them, and the vantage ground of their position, may work the ruin of everything, if they yield to temptation and league and collude with outside rogues. Instances of this character, and very notable ones, have unfortunately been too common.

But all this only emphasizes the necessity for the exercise of the extremest care in the selection of your men for these delicate positions.

HOW LONG SHALL A BANK KEEP ITS OLD BOOKS AND PAPERS?

There has been no attempt to solve this question in any quarter of this country. We have not been in the banking business long enough to demand its solution. On the other side of the water, for instance, in a certain bank in the South of Europe, that a friend of mine visited recently, which had been making discounts and paying checks on the same spot for 500 years, provision must be made once in, say, a

hundred years or so, for clearing out old stocks of books and vouchers by making a bonfire of them or turning them into paper stock. But, in our comparatively new country, we have, in this matter, simply drifted along, generally keeping everything in the way of old bank records and vouchers, not daring to destroy any of them for fear they might be wanted the next day after their destruction, yet really glad when some great fire has come along and settled matters for us by very conveniently burning up the whole of the dusty and mouldy rubbish. Bankers often say that such great fires really ought to sweep over us once in awhile in order to cleanse us of our worthless things.

In some States laws have been passed, limiting the time in which banks, etc., are obliged to keep their old records and vouchers. And, in such States, bankers have, to my knowledge, swept their attics with considerable promptness and courage.

During the war of the rebellion, many banks took advantage of the extreme scarcity and high price of paper stock to sell their attic supplies of books, etc. etc., and I have never heard of any outcome of trouble from this clearing up.

But there are to-day many old banks, especially in our large Clearing-House cities, that have, or say they have, every book and paper which has been in use and seen its day since the bank began to live.

We may say quite positively that there is little need of keeping subsidiary books—Paying and Receiving-Teller's books for instance—a very great length of time. Neither are old paid checks or stubs of check-books of great permanent value. All in them and on them of importance can be found in the principal books of the bank, and these should never be destroyed. They should be carefully preserved in such order as to be readily accessible in case of sudden call, and not in a confused and promiscuous heap in some hardly accessible attic.

I found that the Bank of England had a rule about keeping vouchers, etc. All its cancelled notes are, for instance, filed away and kept until they get brown with age—say 20 years—and are then cast into the fire.

The United States Government has never voluntarily destroyed a single voucher, as one of my correspondents can testify, who has had to dig in the archives of the Washington departments, in search of material for a phase of United States financial history. Accident and fire have destroyed some of these old Government papers.

The discussion of this question of keeping old bank books and papers leads me directly to the consideration of an important collateral question, which is:

WHAT VOUCHERS SHALL BE RETURNED BY BANKS TO DEALERS?

A bank expects to return of course, to promisors and acceptors, all the paper which it has collected.

When a party pays his note, or a draft which has been drawn upon him, he intends, generally, to receive, in exchange for his money, the cancelled voucher. But it is a curious fact that very

many payers of notes at banks deliberately go away without taking up the notes—simply pass in their cash, wait to see if it is right, and then hasten away, leaving vouchers with the Teller. The Teller calls after them to stop and take the cashed paper; but, in large city banks, where such incidents often happen, many escape him, and leave their notes on his hands—notes which, in some cases, he may hardly know what to do with, since he may not have the makers' address.

The Teller of an old city bank, which has always done a heavy collection business, showed me, the other day, quite a file of paid paper which had, in a long series of years, accumulated on his hands in the way I have described.

It is a general custom for banks to return paid checks to dealers who have drawn them—to return them, cancelled, with the balanced pass-books at the close of each month. This practice is not universal.

I know of a large, old, and well-managed city bank which never gives up these check vouchers; and I doubt not there are others which do the same. The bank in question has furnished me its reasons for holding on to the paid checks—reasons which are certainly very logical. These checks, they say, are its only vouchers for money paid and charged depositors—its only receipts—and why should they be returned? If one of these check-drawers gives an order on the bank for the delivery of a note left with it for collection, the order is carefully filed away by the bank. And why should an order for the payment of the dealer's money be treated differently?

It has never been the general custom for banks keeping accounts with other banks to return to the banking correspondents their paid checks, though why individual checks are returned and bank checks retained is not easily explainable.

Of late years many of the banks in large cities—reserve cities, etc., —have adopted the practice of sending home, by mail or express, once a month, all the checks paid for account of their interior correspondents. I have believed that they have done this because they wished to get rid of vast masses of useless vouchers, which they did not dare to destroy, and had little room to store.

Some banks, in delivering individual checks, take a depositor's receipt for the same. Banks returning bank-checks always do this.

I have heard it urged quite frequently that depositors wish their checks back because they are often the only receipts they get for bills paid, the payee's endorsements being those receipts. But, in a systematic method of doing business, depositors should have other receipts.

Referring to the matter of keeping old papers in connection with this check business, it may well be suggested that the banks are not called upon to keep paid checks very long, since depositors quite generally destroy them as soon as they get hold of them.

CHAPTER XXIII.

THE CLEARING-HOUSE SYSTEM.

This is one of the modern short-hand processes in banking which few students of finance outside of banking circles seem clearly to understand. There is nothing intricate or mystifying in this quick method of making bank settlements. The circle of banks associated in any settling arrangement of this class simply agrees to make a conjunction through representatives—Messengers and Settling-Clerks—and at the place of meeting effect those exchanges which, in ante-Clearing-House days were made by the slow and wearisome methods of the old-fashioned familiar type. This old method demanded that every bank having claims upon other banks should send out Messengers to collect the same over the counters, and that all banks having payments to make to other banks should by their representatives make special trips to the creditor banks to cancel the obligations. There was much weary traveling for the Messengers, a great amount of paying and receiving by the Tellers, and much incidental risk from exposure of funds, all of which has, to a very great extent, been done away with by the institution of Clearing-Houses.

A bank Clearing-House is about the same the world over. We have copied the clearing idea from London, where I found its methods and machinery almost identical with those of New York, Boston and other cities.

We have not been using the system long.

In Europe the Clearing-House system has been in vogue for fully a hundred years or so.

An explanation of the details of the Clearing-House business may be made plain by taking the reader of this volume directly into a Clearing-House city, not having too large a number of banks in its settlement circle, and carrying him through a morning's settlement by going into both banks and Clearing-House, showing him how the banks prepare for the clearings and how the Clearing-House effects them—introducing incidentally all the leading forms in use by both banks and Clearing-House. The first important form (see Form 79 on page 350) is a "sheet" supposed to be made up by the "Nat. Security," or No. 46:

The banks of this clearing city are, for convenience, all numbered. The figures to the extreme left are their numbers, and against the numbers are their names. The arrangement of the order of their

numbers and names is in accordance with the age of the institutions. The "First Debit" column of figures represents the amounts of cash,

Settling Clerk's Statement.

NO.	BANKS.	FIRST DEBIT.	ADDITIONS.	TOTAL DEBIT.	BANKS CR.	NO.
1	Massachusetts National	78	50	128	132129	1
2	National Union	441232	99760	4409992	642665	2
3	Old Boston National	10850	4420	553350	2659	3
4	State National	2927355	192167	4849022	1983785	4
5	New England National	310743			25839	5
6	Tremont National	2900352			15865	6
7	Columbian National	1440	467120	607120		7
8	National Eagle	81,23			3855	8
9	National City	1314755	1967542	2099017		9
10	Washington National	4178206			2834378	10
11	North National	10	4196400	4206400	971581	11
12	Atlantic National	7150006			2739661	12
13	Merchants National	1419777	1567625	1709602	116052	13
14	Traders National	4231111			1400704	14
15	Hamilton National	1334444	216720	2389164		15
16	Market National	7879599	5177	7884776	5994	16
17	Second National	1527388	1966667	2194055	100000	17
18	Atlas National	6451556	240000	3051556	2432015	18
19	Shoe and Leather Nat'l	4026820			4065355	19
20	Shawmut National	5030535	2047420	5230535	870110	20
21	National Exchange	1505855			5445420	21
22	Nat'l B'k of Commerce	1613776	5719446	7333222		22
23	Nat'l B'k of N America	1167857	10	1177867	1201590	23
24	Faneuil Hall National	2441167	2000	2441167	3307441	24
25	National Webst.r	1855058			3021074	25
26	Eliot National	1573376	5000	2072376	33176	26
27	Howard National	2544226			2877253	27
28	Suffolk National	162660	71000	726260	26476	28
29	Globe National	4466455	41660	4882755	15000	29
30	Freemans National	14410	837425	5861355	97345	30
31	Boylston National	2654355			5082144	31
32	Blackstone National	2123949	1960000	2173949	4754544	32
33	Boston National	2,4049719	4000	2,4089719	4778557	33
34	Maverick National	1279974	320667	1319641		34
35	National Hide & Leather	9603323	5000	9653323	1562276	35
36	Nat'l Bank Redemption	5855357	13004490	18655847	5610544	36
37	First National	2475357	50000	2975357	4164206	37
38	National Revere	5764455	8590	1654455	1855	38
39	Nat'l Bank of Republic	5944				39
40	Continental National	5395	19000	193395	10239	40
41	Mt. Vernon National	6,2250	4250	1062500	1141167	41
42	Third National	1,8236	1000067	1116003	1477210	42
43	Everett National	5469444	100	6469444	62249	43
44	National Security					44
45	Broadway National					45
46	Nat'l B'k Commonwealth	2942002	100	2942002	220990	46
47	Central National	2044650	2000	2244650	4500990	47
48	Manufacturers National	4635355	1673585	1030076	3444446	48
49	Fourth National	1094244	50000	6094244	4455	49
50	Metropolitan National	447550	2600	450150	4554	50
51	Merchandise National					51
52	Lincoln National	1300				52
	FOOTINGS.	4,4425,745	1322010858	5464452453	4754552101	
	BALANCE				7090052	
					5464452453	

Form 79.

checks, etc., which the bank holds—and has made up before the early morning receipts—against the banks against which the sums are set. "Additions" are the later receipts of demands against these same banks. "Total Debit" the sum of "First Debit" and "Additions," —these three columns are made up at the bank before starting for the Clearing-House.

The fourth column of "Banks Credit" records the sums which each of the other banks brought into the clearing *against* the Nat. Security, and its total is of course the aggregate of the demands of each of its clearing neighbors. The difference between the foot of these two columns is the gain or loss which has been the outcome of the morning's settlement. In this case I have given a sheet where the morning's clearing gain was $70,900.82.

That is, all the banks of the Clearing-House brought in and delivered to the Security checks against itself amounting to $70,900.82 less than the checks on the other banks which the Security took to clearing and delivered to them, and the Security is, therefore, entitled to a cash payment from the Clearing-House of that amount.

I have said that the sheet is mainly made up at the bank.

As the Clearing-House session begins promptly at 10 o'clock it is necessary for a Settling Clerk to be at the bank some time before that hour in order to properly prepare his statement. The preparation of this sheet is conducted differently in banks, but an ordinary method is to make the first debit entries from the record on the Teller's book where the checks have been listed against each bank and footed as a part of the previous day's work. These checks have also been assorted and perhaps listed on the "Exchange Slip" (see Form 80) as well.

EXCHANGE SLIP.

No. 26,

ELIOT NATIONAL,

From No. 46, Nat. Security Bank

October 17 ..... 1890.

		8	50	3	
100	24	1414	3	1542	500
		1		1	

Form 80.

Then come the checks received in the morning's mail or by early deposit, and of these a supplementary entry is made against each bank and on the slips, and the amount of the additions in each case is

carried into the second column and a total extended into the third column of the sheet and a final footing made. The checks on each bank are then pinned up with the proper Exchange Slip (see Form 80); the footing of the slips compared with the entry on the sheet, and the packages put in numerical order for delivery at the Clearing-House.

The next thing to do is to make out the check tickets (see Form 81) which are to be delivered to the other banks with the packages.

No. 26,

ELIOT NATIONAL BANK,

FROM

No. 46 NAT. Security BANK,

2042 Dollars. 36 Cents.

Form 81.

This morning preparation for the clearing is one of the busiest periods of the day—both the Tellers and their clerks and probably assistants from other departments put in the best work they are capable of—there is never any time to spare; and the bank whose clerks never have to run in order to reach the Clearing-House in time to avoid a fine is a marvel of good management. Each bank sends to clearing a Settling Clerk, in charge of its sheet and to receive packages, and a Messenger to carry and deliver its packages.

When the Settling Clerk enters the Clearing-House and passes to his place he delivers at the Manager's desk a Credit Ticket (see Form 82) showing the total amount he has brought in from which the Manager's Clerk makes a credit entry to his account.

CREDIT TICKET.

No. 46 BOSTON CLEARING-HOUSE.

October 24 1890

Credit,

Nat. Security Bank $546,452.83

James Settling Clerk.

Form 82.

The Settling Clerks take their places in order on the inside of a long counter each with his own Messenger standing over against him on the outside of the counter.

The Manager strikes the bell at 10 o'clock and off starts the whole line of Messengers along the counter—keeping their relative positions and order and delivering a package and check ticket or a blank to each Settling Clerk as they pass before him.

The work of the Settling Clerk is to list down in his fourth column

the amount of each package as handed in by the Messengers filing before him.

In three or four minutes his fifty or so packages are all in and he can make a footing and strike a balance as is shown on the sheet above. The next thing to do is to make out the balance ticket (see Form 83), showing the figures as they are on the sheet.

BALANCE TICKET.

No. 46 **BOSTON CLEARING-HOUSE.**

Dr. Nat. Security Bank Am't Rec'd $475,552.01

Cr. " " " Am't Bro't $546,452.83

Balance $, due Clearing-House.

Balance due the Nat. Security Bank $70,900.82

James Settling Clerk.

Form 83.

This is to be handed to the clerk at the Manager's desk, but before doing so the Settling Clerk will assort the check tickets which have been put by the different Messengers into a receptacle on his desk, and by them check off the hurried entries which he made from the packages themselves. When satisfied that his work is right he sends up his balance ticket and from these tickets the Manager's clerk completes his sheet and makes the final footings which prove all the work.

The bank Settling Clerks have from 10 o'clock to 10.30 to make their settlement.

It generally takes from five to ten minutes by the clock for the Manager's clerk to make his settlement, and, if his sheet proves, the work of the morning is ended and the clerks may go home. If an error is shown to be in some of the sheets they must be gone over again; the clerk having the error must send up a corrected balance ticket, and is fined $2 for every fifteen minutes after 10.30 that it takes to find the error.

The banks which have lost at the clearing must pay the amount of their several losses to the Clearing-House before 12.15 o'clock. In the large cities they must pay funds such as are proper to be held as reserve by the banks.

In some other places the bank's checks on Boston or New York are used as Clearing-House funds.

These funds are all received by the Clearing-House Manager and his clerks; counted, and made up in proper form to be paid out at 1.30 o'clock to those banks which gained at that morning's clearing. Of course the losses and the gains will in their totals exactly balance

each other and the Clearing-House after handling its millions through the day closes at two o'clock without a penny in the till.

In paying and receiving these losses and gains considerable work and risk in the way of actual transfer of cash is saved by the use of Clearing-House orders, which may be said to pass as cash between the settling banks, and which are received and debited or credited as such by the Clearing-House Manager. Here is one of these orders (see Form 84.)

BOSTON CLEARING-HOUSE.

$43,000..... BOSTON....October 20....1890....

Transfer to the Credit of....The Traders' Nat. Bank....

....Forty-three Thousand....dollars,

And charge the same in Settlement of the balance due to

....The Nat. Bank of the Republic....

To N. G. SNELLING,
Manager.

....H. D. Farbes.....Cashier.

Form 84.

CLEARING-HOUSE MANAGEMENT.

Such a vast amount of exchange business and complicated clerical work is transacted in a very short time at the daily morning settlements of the Clearing-House, that it is very important that the representatives of the banks—two from each—who do the work in question should be careful, accurate and capable of performing considerable clerical labor. They must give their undivided attention to their business and should not indulge in idle talk or unbusiness-like behavior, as the slightest error on the part of one clerk may prolong indefinitely the entire settlement.

In view of these facts Clearing-Houses have inserted in their by-laws what may be termed rigid police rules.

The following extracts taken from the by-laws of one of the best-managed Clearing-Houses in the United States will give a good idea of what they are:

1. For disorderly conduct of any Clerk, or other officer, at the Clearing-House, or disregard of the Manager's rules and instructions, for each offense, $4.00.

2. For any officer failing to attend punctually at the hour for making the exchanges, $4.00.

3. Debtor banks, failing to appear to pay their balances before a quarter past 12 o'clock, $3.00.

4. Any error in the Credit Ticket (that is the amount brought), $2.00.

5. Errors in making the Balance Ticket (that is, the amount received) entries $2.00.

6. Failing to deliver Check Tickets before half-past ten o'clock, $1.00.

7. All other errors, $2.00.

Any Clerk, or other officer, who shall repeatedly and perseveringly disobey the orders or instructions of the Manager, shall, with the approbation of the Clearing-

House Committee, be expelled, and not re-admitted without the written consent of the Committee.

☞ Thirty minutes will be allowed for the morning business of settlement, and for each additional fifteen minutes' detention, $2 will be added to the fine under No. 5.

Below are a few important points from the general rules of the same Clearing-House which vary but little from those of other Clearing-Houses throughout the country:

Errors in the exchanges and claims arising from the returns of checks or other cause are to be adjusted directly between the banks which are parties therein, and not through the Clearing-House.

Whenever checks which are not good are sent through the Clearing-House they shall be returned by the banks receiving the same to the banks from which they were received as soon as it shall be found that said checks are not good; and in no case shall they be retained after one o'clock.

The Manager shall immediately report to the Clearing-House Committee any apparent irregularity in the dealings of any bank belonging to the Association that comes to his notice, and receive the instructions of the Committee in regard thereto.

The Committee shall have power to remove the Manager or any of the Clerks, whenever, in their opinion, the interests of the Association shall require it.

The hour for making the exchanges at the Clearing-House shall be ten o'clock A.M. each day. At a quarter past twelve o'clock, noon, the debtor banks shall pay to the Manager, at the Clearing-House, the balances due from them respectively either in coin or in such other currency as the laws of the United States shall require, or in such certificates as shall be authorized by the Clearing-House Association, excepting sums less than one thousand dollars, which may be paid in bills of the debtor bank.

At half-past one o'clock P.M. the creditor banks shall receive from the Manager, at the same place the balances due to them respectively; provided all the balances due from the debtor banks shall then have been paid to him.

Should any bank fail to pay the balance due from it at the proper hour the amount of such balance shall be immediately furnished to the Clearing-House by the several other banks in proportion to their respective balances against the defaulting bank resulting from the exchanges of that day.

The clerks and Messengers who represent the banks at the Clearing-House should be extremely prompt in presenting themselves at the set time. Punctuality in this regard means about five minutes before time.

Banks should see that no officers are sent for Clearing-House service, particularly in the capacity of Settling Clerks, who have not natural fitness for their work. An incompetent or careless officer among so many men will set back all the work in hand.

In passing to and from the Clearing-House bearing the checks and cash which are a bank's balances (the grists which run through the mill), Messengers should be extremely careful of the valuables which are of necessity entrusted to them to carry through the streets.

LOANS BETWEEN BANKS AT CLEARING.

In some of our Clearing-House cities, notably in Boston, the banks are in the habit of borrowing of each other, as their situation may demand, immediately after they have made their morning settlements. These negotiations are, of necessity, made by the representatives of the banks who are present at the clearing. And these representatives are mainly the Messengers and Settling Clerks of the banks,

though it has of late years become the custom with many banks to be present at these morning after-clearing negotiations in the person of their Cashier.

This custom has been in existence for at least 20 years, and the aggregate of loans of this class made there daily is very large—ranging from hundreds of thousands to millions of dollars. I have known many instances where banks, which have emerged from the morning settlements with gains of more than a million, have, before leaving the Clearing-House, scattered these entire gains in loans among losing banks —loans negotiated on both sides by single representatives of the banks. and those often junior clerks. There is nothing of this sort done in the European Clearing-Houses.

I found the London bankers interested and astonished to hear that we indulged in financial transactions of this character.

The loans made at clearing are loans of minute money. They are rarely secured by deposit of collateral of any sort.

The bank receiving the accommodation draws upon the lending bank a check in its usual form. The loan is charged to it; and, when it is repaid, the lending bank settles the transaction by simply drawing upon the debtor bank for the amount.

The current rates for these loans are usually about one per cent. under those charged upon standard call loans to private bankers and merchants. This is because they are loans for large round sums, ranging say from ten thousand to hundreds of thousands of dollars, and because the money thus advanced is understood to be immediately available in the form of Clearing-House funds.

This business of borrowing and lending between banks has, in Boston particularly, increased greatly within the last twenty years. Many experienced bankers condemn the entire practice, urging that Boards of bank Directors were not chosen for the purpose of managing capital other than that of the bank in which they have been put in charge, and claiming that it is all wrong that banks should, by chronic borrowing from other banks, fall into the habit of carrying along loans altogether beyond their ability to sustain were they dependent solely upon their own legitimate resources.

In 1881, a vigorous attempt was made by several of the Boston bank Managers to break up this banking method—to transfer to the offices of the banks a loaning business which had so long been transacted by their clerks at the Clearing-House. This reform movement for awhile bid fair to be successful; but one by one those who had combined against the practice broke ranks, and returned to the old loaning rut, and, in the end, the loaning at clearing system resumed its former sway.

But, whatever may be the final conclusion on the main question as to making these loans in this manner, there is one point upon which most bankers are in full agreement and that is, that there should be

some plan in force by which the rates of these clearing-loans should be regulated and controlled by the mutual action and combination of all the banks in any given clearing city.

As the business is now running along, the adjustment of these rates is largely left, from day to day, in the hands of hurried subordinate bank officers, acting away from the bank, and without any opportunity for direct consultation with its Managers.

Within late years another class of Clearing-House negotiations—negotiations also left entirely in the hands of the representatives of the banks who meet there—has become a regular thing in Boston, and of large proportions. I refer to the dealings made in New York funds. On some days these are bought and sold rapidly and in heavy blocks.

The details of the operations I have been describing are managed in this way. The bank Messengers carry into clearing in their heads or hands statements of the way their banks are standing in the matter of reserve, supply of New York funds, etc., and general instructions how to proceed in the business of borrowing or loaning, or buying New York exchange, after they have effected their settlements—instructions which are of course to be dependent upon the results of their settlements. As soon as these Settling Clerks have got at the figures of their gains or losses at the clearing, they make haste to do their best to carry out the instructions received at the headquarters—to lend or borrow, and to buy or sell New York—as the situation may demand.

Within a few years many of the Presidents and Cashiers of Boston banks have been in the habit of going themselves to the Clearing-House, to manage the negotiations we have been describing.

CLEARING-HOUSE RESPONSIBILITIES.

National banks have generally attempted to hedge against the responsibilities of the collecting business which they transact when associated together in Clearing-House arrangements. The dangers and difficulties which arise under these associated mutual morning settlements are well illustrated in the complications that grew out of the sudden failure of the Metropolitan National Bank, New York. An earlier trouble of the same nature occurred in Boston at the time of the failure of the Pacific National Bank, to which more particular allusion is made, as it resulted in a practical movement on the part of the Boston banks to protect themselves against similar difficulties in the future.

The Pacific National Bank was not a member of the Clearing-House Association. Sagacious Boston bankers who had little faith from the first in the management of this unfortunate concern decidedly and successfully opposed its admission to the Clearing-House, receiving very severe denunciations in many quarters for doing so. But the Central National Bank, which was intimately connected with the Pacific, was a member of the Clearing-House.

On the morning when the Pacific suspended the Central reeled

somewhat under the blow, and did not respond to the Clearing-House demands upon it until some hours after the time fixed for the settlement of such demands. The alarmed banks which were creditors of the Central for large amounts of checks upon it which they had charged through clearing in regular course in the morning, in some instances endeavored to recover the unsettled checks, hoping to be able to return them to their depositors or in some way to place themselves in a better position by obtaining the vouchers.

The Central refused to give up the checks. These they claimed were good—had been drawn against existing balances. It was not the depositors' balances which were deficient, it was the bank itself which was falling behind. The outcome of this excitement was the adoption by the Boston Clearing-House of the following regulation—an idea proposed and formulated by the late Francis Jaques, who was at that time the able President of the Webster National Bank:

" * * * It being understood that they, the said banks, receive checks and items payable by other banks, for collection, as agents only, and do not hold themselves liable for any loss or damage which may accrue through the default of any bank or banks upon which said checks and other items may be drawn."

In this case of the Central National, the bank raised funds and settled with the Clearing-House; but it has been found necessary to provide a method of arranging matters left unsettled after a clearing bank has failed to respond to the demands made by the Manager of the Clearing-House. The Grant & Ward and Metropolitan Bank collapses, were the last influences most effective in placing the associated banks upon a clear and equitable basis of supplementary settlements in those cases where the regular clearings were left unbalanced by positive defaults. It is now generally provided in Clearing-House articles of Association, that where any bank fails to pay the balance due from it at the proper hour, the amount of such balance shall be immediately furnished to the Clearing-House by the several other banks in proportion to their respective balances against the defaulting bank resulting from the exchanges of the day; and the Manager is required to make requisitions accordingly so that the general settlement may be accomplished with as little delay as possible—the amount so furnished to the Clearing-House constituting claims on the part of the responding banks respectively against the defaulting bank. And the further provision is also usually made, that either of these responding banks may cancel their exchanges with the defaulting bank by paying to it the amount of all checks and other items received from it through the exchanges of the day, and receiving in return all checks and other items delivered by that bank to the defaulting bank in the said morning exchanges. In regard to this latter mode of settling scores it may be noted that its application is not likely to be often called for.

DISHONORED CHECKS RETURNED BY CLEARING-HOUSE BANKS.

In Clearing-House cities checks charged into banks through clearing are considered as paid, if not returned to the charging bank before a

certain hour named in the by-laws of the Clearing-House Association of the place, which hour is one some time in advance of the business-closing hour of the banks. In Boston this settlement-closing hour is fixed at 1 o'clock.

The second paragraph of my quotation from the general rules, given above, shows the form of the rule covering this point; but we have to admit that bankers and courts have been found disagreeing in their understanding of this requirement, that "in no case are they to be retained after 1 o'clock." It is argued in some quarters, that a bad check *started* upon its return before 1 o'clock from the bank upon which it is drawn, and placed in the hands of its Messenger before that time to be brought back with orders to him to go at once with it to the charging bank, is really returned before 1 o'clock although it may not reach the other bank until after that hour. On the other hand, many banks claim that a returned check must, under the Clearing-House by-law named, be actually delivered to the charging bank before 1 o'clock. I am of the opinion that the latter view is the correct one —it certainly is the course which avoids any question—yet readily concede that the regulation in question is capable of misconstruction and deserves to be amended.

It is also my opinion, that a check is not returned to a bank before 1 o'clock unless the bank to which it is returned actually receives it over the counter before that time. As long as the check is in the hands of the Messenger it is not returned—it is in the possession of the bank employing the Messenger.

There is one point relative to this returning business to which attention should be called. Banks are required by the Clearing-House rule named to return checks as soon as it is found that they are not good, and should not keep them, as they often do, until the last safe moment but return them as early as possible.

A PERSONAL EXPERIENCE.

Right here seems to be just the place for a bit of personal experience which may illustrate some points on handling "not good" checks.

The house was failing—in fact *did* fail before 2 o'clock of the day of which I write—and has never paid more than 25 cents on the dollar. I held one of its checks for $5,000, which had been taken the day before in payment of one of its notes, and had sent it in through the morning's clearing. Rumors soon reached me that the house was in trouble, and this rumor was confirmed when, just before 1 o'clock, the time when clearing-checks must be returned or considered paid, the Cashier of the bank upon which it was drawn called upon me and asked for further time on it—to hold it, say, until 2 o'clock, as there was not balance enough in the bank to meet all the checks of this name that had come through the clearing. "There is not balance enough just now," said the Cashier, "though there may be before 2 o'clock." I was, of course, ready to give him permission to hold as requested, for a chance to get

my pay was better than receiving the check back unpaid. And this chance was made the most of by allowing the check to remain with the bank upon which it was drawn, for while it remained there uncollected it might be said to be steadily pressing for payment, and, while thus remaining presented, no checks from any other quarter could step in ahead and be collected. An important point in Clearing-House banking is here brought out which every careful banker will observe and clearly understand.

As the hour of 2 o'clock approached, without my hearing anything from my suspended check, I called upon the bank upon which it was drawn. I found the bank was still holding all the checks that had reached it through the Clearing-House that had been drawn by the house that was in trouble—holding them on permission from the owners, because the house in question had not balance sufficient to meet the entire lot.

And this brings out another important point in banking in Clearing-House cities:

First, there not being balance enough to pay *all* these clearing checks, the bank could not pay any of them.

Second, while all these checks remained in the drawee-bank, presented through clearing, it could not use any portion of the balance against which they were drawn to pay any check of that drawer, large or small, which might be presented at the counter of the bank.

As the hour of bank closing had nearly come around without bringing to the drawee-bank any reinforcement of funds to meet the suspended clearing checks, it came to the conclusion to send them all back unpaid to the several banks which had charged them in, who had all given further time on them, and were now anxiously waiting to learn their final fate.

And now the order and method of the return of this large batch of failed checks became questions of the first importance. The questions were solved in the following manner—the only correct manner, and the slightest divergence from which would have thrown upon the returning bank ugly responsibilities. The Messenger was summoned. The dishonored checks were handed to him, and he was told to take them back to the banks which had charged them through clearing in the precise order and method in which he was accustomed to take back unpaid clearing checks—swerving not a hair from his accustomed routine movements when such business was on his hands. The result was that some banks—those nearest to the drawee-bank—got hold of the suspended checks earlier than others more distant in location.

All the bank-owners of these checks were now on the *qui vive*, for the failure had become town talk, and there was a rush by them for the intact balance which stood to the credit of the failed house at the bank which had sent back all the clearing checks. Those nearest to the drawn-upon-bank got hold of their returned checks the quickest,

and were therefore able to present them over the counter and collect them as long the balance held out, leaving nothing for the later presenters. First come first served. The Paying-Teller could not refuse to apply this rule as the checks came pouring in upon him. The action of the drawee-bank was in accordance with law, custom and common sense, and should be followed by all banks similarly placed.

Some banks have argued that clearing checks drawn upon an inadequate balance should be paid in the order of their dates as long as the balance holds out, the later-dated checks being the ones to be finally returned as not good when the balance was exhausted. But this is not correct banking. Other bankers have urged that the inadequate balance should be divided proportionately among the presented clearing checks. This is also incorrect banking.

COUNTRY CHECKS AND CITY CLEARINGS.

In many instances banks which are located in the vicinity of Clearing-House cities announce that checks drawn upon them will be settled through the clearing of the city near them. In furtherance of this plan they name their city corresponding bank as their settling agent. Every day, after the morning's clearing, the suburban bank presents itself in the person of one of its officers at the bank which is its settling agent and runs over the checks of its dealers which have been charged in, accepting the solvent ones and rejecting those which are "not good." There is a point with regard to these dishonored drafts which is a frequent source of annoyance and trouble to the city banks which have taken them for collection. Is the presentation of the rejected checks through clearing, legal and solid enough for a basis upon which to rest a protest and notice of dishonor, or must the returned check, after having been charged in and rejected, be again presented in a formal and regular manner at the counter of the bank upon which it is drawn? The latter course, if necessary, becomes embarrassing, since the drawee bank may be distant enough to render it almost impossible to make this required demand on the day of the settlement. It is unquestionably the safest course to make this square demand upon the bank; yet the collecting bank, which has made the demand charge through clearing in full accordance with notices from the suburban bank, would have a strong case in Court in defense of its course. The question would undoubtedly largely turn upon the character of the notices issued, by the suburban bank, in setting up for itself this system of paying its checks through the city clearing.

There is another point relating to checks upon suburban banks which needs particular notice. Many dealers with these near-city country banks have a custom quite confusing and misleading to both city banks and individual holders of such checks. They print upon the margin of these checks which they draw upon their local bank the rather equivocal statement that they will be received upon deposit by the banks of their nearest clearing city—a statement which seems to

carry with it the idea that the city bank will unhesitatingly cash them on presentation, or receive them on deposit on the same footing with regular city checks. The holders of these checks are often disappointed to find that they are only checks on country banks which must be run through the usual collection mill at a cost, in some cases, of both time and money.

DELAYED MAILS AND THE CLEARING-HOUSE.

In places where the Clearing-Houses do the work of collecting checks the question often arises: What disposition shall be made of those checks which fail of reaching the banks in the usual season owing to mail delays? This question comes up in a shape like this:

A bank in New York sends to its Boston bank a daily letter, usually containing checks on Boston banks to the amount of many thousand dollars. This regular letter reaches the Boston bank, when the mails are not delayed, early in the morning, and in ample season to have its contents collected through the 10 o'clock clearing. A heavy snow-storm keeps the New York mail back, and this letter reaches the Boston bank at 11 o'clock. Now, what is the proper course of the Boston bank under the circumstances? It should be this: Its correspondent should at once be wired that their letter has arrived late, so that they may know its contents have not passed into the Boston clearing of that day. Then the Boston bank should carefully look over the contents of the letter, and, if there are in it any checks of considerable size, they should be at once presented to the banks upon which they are drawn for certification or collection—presented by the hands of Messengers, the same as they would have been in ante-Clearing-House days.

This is the only sensible and safe course under such circumstances.

CLEARING-HOUSE RETURNS.

Once a week—in Boston on every Monday morning and in New York on every Saturday morning—the banks in the Clearing-House cities make a return of their condition, made up at the close of the preceding day. This is an average weekly return, based upon the average of the whole week's daily balances of the various items of loans, deposits, etc., that are returned in this report. On page 363 is an exact transcript of such a return (see Form 85), as delivered to the Clearing-House Manager.

The figures here brought together are, as it were, culled from the books of the bank, and in their preparation short-hand work is made of the task of getting at this summary by bringing into service the subsidiary book of return figures which I have fully described in another place. From the aggregate results of the returns of these individual bank statements a table of the returns of all its banks is made up by the Manager of the Clearing-House which shows at a glance the actual position of the whole line of the city banks at the close of the seven days covered by the summary. In the margin of this return a comparison is made between its figures and those of the

Average Weekly Return

To the CLEARING-HOUSE ASSOCIATION, from the *Fifth National Bank*
in the City of Boston made up at the close of business on Saturday *October 25* 18*90*

Form 85.

Capital.	Loan.	Circulation.	Individual Deposits.	Due to Banks.	Due from Reserve Agents.	Due from Banks other than Reserve Agents.	Five Per Cent. Fund.	Legal-Tenders.	Specie.
$1,000,000	$3,287,600	$90,000	$1,974,200	$807,500	$345,600	$366,400	$4,500	$96,700	$252,190

Henry F. Pease,

Cashier.

statement of the preceding week. This table of comparisons, which shows the gains and losses made in reserve, deposits, etc., is scattered broadcast over the country as an item of no little financial importance. When these returns are wired abroad they fly about in this shape. Here is a specimen (see Form 86), of one of these telegraphic summaries as received and distributed by a Boston banking house:

NEW YORK ..... October 22 ..... 1890 .....

BANK STATEMENT.

Loans	Decrease	$2,450,000
Specie	Increase	910,500
Legal-tenders	Decrease	428,700
Deposits	Decrease	4,376,000
Circulation	Increase	46,500
Reserve	Increase	830,800

Richardson, Hill & Co.

Form 86.

CHAPTER XXIV.

OUR ENGLISH COUSINS.

When in England, and while studying the methods and machinery of English practical banking, many novelties came under my attention and some that seemed to me deserving of particular notice I will present here.

In the matter of gold coinage, I found that the Bank of England seemed to have a nearly complete monopoly of the business. To be sure, any person may take bar gold to the extent of £20,000 to the English Mint and have it, in time, returned to him in sovereigns and half sovereigns to the precise amount which he deposited. But in thus dealing directly with the Mint there are expenses and losses of interest which have to be taken into account, while the Bank of England will receive bar gold at £3. 17s. 9d. per ounce, and pay at once in new sovereigns or half sovereigns, and although this Bank of England paying-price for gold is slightly below its market value, the difference in question is so slight as to be more than offset by the Mint expenses I have mentioned. By its dealings in coin and bullion the Bank has the reputation of making £30,000 a year.

The English sovereign weighs 123.274 grains, and is a legal-tender so long as it does not weigh less than 122.5. When of standard weight it contains 113 1-63d grains of pure gold.

The English half-sovereign is exactly half the size and value of the sovereign.

English silver and bronze coins are fiat money—token coins—for their intrinsic value is materially less than their face value.

The seignorage which Great Britain makes upon these subsidiary specimens of hard money forms quite a large source of Treasury revenue. Thus an ounce of silver, which is really worth 50d., is manufactured by the English Mint into silver coins which will foot up 66 pence. Here is a direct profit of 1s. 4d. an ounce, subject only to the slight cost of manufacturing.

But while English gold coins are a legal-tender to any amount, English silver coins are a legal-tender only to the amount of 40s., and bronze coins to the extent of 1s.

Bullion brokers take quite a conspicuous part in London in the business of handling gold. Thus, when an American banker makes a shipment of mixed gold to London it is first passed through the hands of bullion brokers, who pass upon its weight and fineness, charging an

established rate of commission for their work, and returning a formal account of sales.

I found, too, considerable that interested me about the bank note of England.

To the eye, Bank of England notes are a very plain bill—merely black printing upon white paper of the best possible quality. This paper is specially made for the bank, and is not only very strong but also a paper not easily burned. The visitor at the bank is shown notes that remain worthy of redemption after having been the victims of hot scorchings and fiery singeings. No Bank of England note is paid out the second time though it may have lived only to cross the street. In the sorting and canceling room, where hundreds of young men keep the air about them white with flying notes, the bulk of the circulating notes they were canceling by tearing off the signatures were as new and fresh in their appearance as if they had never traveled outside of the bank. After cancellation they are packed away in small wooden boxes in the vaults of the bank.

The stock of notes on hand and thus ripening for destruction in the bank fills ten or twelve thousand of these little boxes and amounts to perhaps $8,500,000,000, although the notes are taken from the vaults and burned in a furnace when they have had five years' storage.

The Bank of England note is very popular with financiers on account of its splendid workmanship and excellent paper and, more than that, its soundness as currency.

They are a legal-tender everywhere and by everybody in England, with the singular exception that they are not a legal-tender by the Bank of England or any of its branches.

English country bank notes are not legal-tender.

Where Bank of England notes are used as legal-tender in payment of debts the debtor cannot oblige the creditor to return change.

In presenting for redemption Bank of England notes at the counter of the Bank of England or any of its branches, sovereigns may be demanded, but not half-sovereigns or silver, and its notes which may have been wholly or partially destroyed, will be redeemed if satisfactory proof can be furnished the Bank that the missing paper has been destroyed.

In sending bank notes by mail the Englishman generally cuts them in halves, takes a careful record of their marks and numbers, and sends one of the halves by registered mail, the other by ordinary post.

The loser of Bank of England notes may "stop" them at the Bank; but it is a curious fact that he must pay 2s. 6d. for every "stoppage" thus made. And such "stopping" may not amount to much, since the notes in question are perfectly good in the hands of any innocent holder, "stopped" or not "stopped."

The Bank of England has such a well-nigh complete monopoly of the business of circulating paper money in the United Kingdom, that

many people hardly seem aware of the fact that paper issues are made there by any other banks. Even many Englishmen themselves appear to be scarcely aware that England has any other bank-note than the Bank of England note, for I have seen, in a standard English encyclopedia, this definition of a bank note: "A promissory note issued by the Bank of England, and payable on demand;" and I asked a London bank clerk (one of 14 years' service) if there were any bank-notes issued in England or Wales other than the Bank of England notes, only to receive a reply in the negative.

But here is how this matter really stands. Perhaps most persons know that the Scotch and Irish banks have a paper issue of their own, but many do not seem to understand that there are both joint-stock banks and private banks in considerable numbers, both in England and Wales, that issue bank notes.

By the Act of 1844, no bank in any part of the United Kingdom which did not at that time issue notes was allowed thereafter to exercise that privilege, and by an Act passed that same year in reference to joint-stock banks, so many restrictions and limitations were introduced as to practically forbid the starting of any new banks. But within a comparatively recent period the Limited Liability Act has given more latitude in the matter of setting up banks.

Of the joint-stock banks of England and Wales, of which there are 120, 56 in the provinces are entitled to issue notes to the extent of £2,738,640; but their actual issue is considerably less. There are 255 private banks in England and Wales, of which 57 are in London. One hundred and seventeen of these private provincial banks have an authorized issue of £3,874,621.

To give an exact idea of the way the paper circulation business stands to-day in the United Kingdom I here furnish a late circulation returns of the joint-stock and private banks of the country:

	Sept. 19.	*Aug. 22.*	*Increase.*	*Decrease.*
Bank of England.....	£24,667,598	£25,325,000	.....	£657,405
Private banks.....	1,305,764	1,341,087	.....	35,323
Joint-stock banks.....	1,433,314	1,468,420	.....	35,106
Total in England.....	£27,406,673	£28,134,507	.....	£727,834
Scotland.....	5,638,129	5,568,068	£70,061	.....
Ireland	5,529,296	5,675,766	.....	146,470
United Kingdom.....	£38,574,098	£39,378,341	£70,061	£874,304

The English private banks are below their fixed issue.....	£2,107,036
The English joint-stock banks are below their fixed issue.....	921,475
Total below fixed issue in England.....	£3,028,511
The Scotch banks are above their fixed issue.....	2,961,779
The Irish banks are below their fixed issue.....	825,198

The amalgamation or failure of banks which had the right to issue circulation has been one cause that has led to the difference of over

£3,000,000, as stated above, between the authorized and actual circulation of these private, and joint-stock banks. But this has not resulted in a corresponding and dangerous reduction in the total circulation because the Act of 1844 provided that the Bank of England should be allowed to issue additional circulation to two-thirds of the amount of reduction from such causes. The profit the Bank derives from its issue department is the interest received upon the £14,000,000 of Government debt and securities, which, at the rate of 3 per cent., is £420,000 a year.

Thus far, in this chapter, the Bank of England has had a prominent place and I will briefly mention a few descriptive facts which may aid the reader to realize this bank's importance in English money matters. In its service there is a small army of well-trained clerks, for this institution, with its capital of ninety millions of dollars, and dating back to 1694, to-day employs 1,000 men. The building in which these clerks do their work covers five acres of ground. It has not a single window upon the street, the light of day being admitted through open courts. It has a clock in the centre of the bank with fifty dials. The Bank of England is situated in the centre of London, but it has one branch at the West-End of the city, and many branches in the provinces.

The amount of Bank of England notes afloat generally averages about £20,000,000, and its deposits, out of which it of course makes a great deal of money, range from £12,000,000 to nearly twice that sum.

Another financial instrument in which the American visitor to English banks takes much interest is the "crossed" check. These are in the most general use in England. While in London I had occasion to mention to some English bankers that we did not use the crossed check at all in the United States, and that our financiers knew so little about them that the majority of them—in fact, very few of even professional bankers—would know a crossed check if shown one. The Londoners were much surprised at this statement, and could not see how we could possibly get along without the use of checks of this sort.

The universal employment in England of this crossed check enables payers to remit checks in comparative safety, in face of the fact that Parliament long ago freed the banks from all obligations to procure identification of parties presenting common checks for collection.

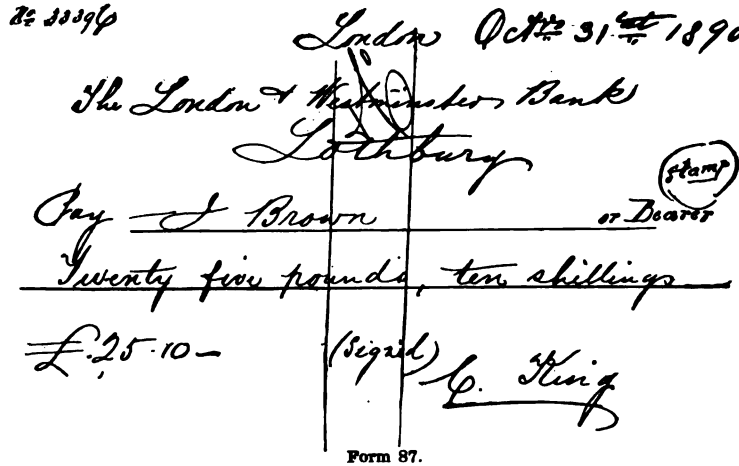
A crossed check is simply one that has upon its face marks which signify that it must be presented through some other bank or banker; and checks of this description will not be cashed if they reach the bank upon which they are drawn by any other path. They are absolutely worthless for presentation in the hands of the wrong parties. This is not simply a matter of usage, for an Act of Parliament forbids a banker to give money over the counter for a crossed check drawn on him.

The favor with which this method of manipulating checks is received in London business circles is indicated by the practice which so generally prevails among the charitable societies, and subscription

agents, of instructing donors to cross all the checks which they remit. An advertisement of the London Relief Association reads:

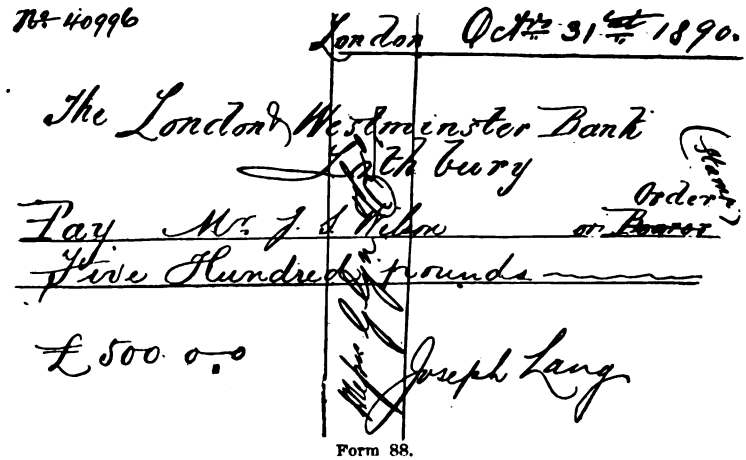
Cheques and post-office orders should be crossed "Herries & Co.," and made payable to J. H. Allan, Esq.

For specimens of London checks see Forms 87, 88 and 89—two of the crossed type and one of the common order—simply a check to be collected in any way the holder elects. The first is an ordinary *crossed cheque* which must come to the London & Westminster Bank through another bank. The two lines with "& Co." between them constitute the crossing; or, the lines without the "& Co." will do as well.



Form 87.

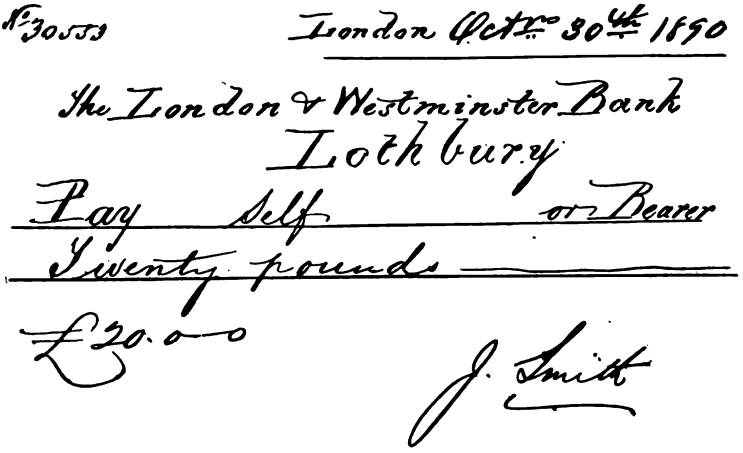
When the drawer knows the name of the payee's banker he inserts it in his crossing as in the next illustration (see Form 88) which is a check *crossed specially*. This check will be paid by the London & Westminster Bank to Messrs. Glyn & Co., only.



Form 88.

Finally, on page 370 will be found a copy of the ordinary *open*

cheque (see Form 89) which can be paid by the bank to anybody who presents it.



Form 89.

I will briefly mention some points in English bank practice which I noted as worthy of attention.

English banks and bankers generally furnish their customers with check-books, making no charge for them. Near the end of each check-book so furnished, a blank order for a new one is printed so as to remind the owner that it is time for him to send for another book.

This custom may have grown out of the desire on the part of the banks, which I have found quite prevalent, that their customers should use a uniform check, so as to reduce the liabilities to frauds and forgeries.

When an Englishman receives a check which is not dated he is quite apt to insert what he believes should be the correct date and place his initials under the same. The Bills of Exchange Act of 1882 appears to give him authority to make this insertion.

English bankers have a custom of considering a check out of date if the date is twelve months or more old, and of refusing to pay such checks.

Under English law the holder of a check which has been drawn payable to bearer may change it to a payable-to-the-order-of any person, but he cannot change one from order to bearer. This last change can only be made by the drawer, and if he makes such a change he must put his initials under the alteration. This initializing method is not a practice in this country.

English bankers do not deem a pencil endorsement illegal, but refuse such generally (if they can) because they are so easily removed, and so easily become illegible.

In cashing checks payable to bearer English bankers are not

required to pay any attention to their endorsements. In cashing checks payable to order they are only required to see that the checks appear properly endorsed. In neither case are the banks required to secure an identification of the party for whom the checks are cashed. Parliament some years ago enacted a law relieving the banks of any responsibility in this matter of identification. London bankers and merchants told me that it would be impossible for London to get through its daily check paying business were identifications demanded, and they wondered how we managed to pull through with an identification system still in vogue.

I have seen the Paying-Cashier of the Bank of England cashing checks for a long line of customers as rapidly as he could throw out the notes and change, paying little attention to the persons of the actual presentors—only pausing to see that order checks had, on their backs the right names, while bearer checks received only a face scanning.

London bankers require special guarantees for stamped endorsements, because, they say, anybody may get hold of the stamps and use them.

Where the initials of the Christian name of an endorser agree with his full name they are readily accepted. Thus R. D. Smith will be accepted for Richard Dorman Smith.

English bankers term a man who makes his mark in lieu of a regularly written signature a "marksman"—a rather curious use of a word which is always used in a different sense in this country. Their methods of getting up a "signature" by a mark is the same as with us—a method in fact which we have directly copied from them. Thus:

his
Robert ✕ James,
mark.
Witness: James Smith, 40 Regent Street, London.

Procuration endorsements and signatures are largely in use in English business circles, though they are never accepted in real red tape circles without an accompanying bank guarantee. *P. P.*, or *per pro.*, are the usual forms for expressing endorsements, etc., of this sort.

Where endorsements of payees of checks, drafts, etc., are not forthcoming for one reason and another, banks have a custom which is common with us of allowing such vouchers to be deposited with them on a substitute for an endorsement of this sort: "*Received payment and placed to the credit of* so-and-so," the signature of the bank receiving the same being attached.

It is the custom in many of the English banks to pay such checks of a customer which come in through a morning's clearing as are within the amount of his balance and to return the rest. This is a method which I have decidedly condemned when discussing this point elsewhere. I now find that the Bank of England treats a failing balance

precisely as we have advised. Where a customer's credit balance is insufficient to meet all the checks which pour in upon it at clearing the Bank of England pays none of them—sends them all back through the clearing, with the "N. S." report upon them, a label which, in English banking, means "not sufficient funds."

Another English banking abbreviation is "R. D.," meaning about the same as "no funds," but literally translatable "Refer to Drawer," and a check, on which the figures vary from the words, would usually be returned marked with the curt phrase, "words and figures differ."

London banks endeavor to hunt up drawers of checks which reach them through clearing in a technically incorrect condition, and thus try to have them put right without a recourse to endorsers and drawers through the Clearing-House path.

When an English banker wishes to be advised by wire or post whether a check is paid or not paid he says, "Wire (or write) its fate."

The habit of using alcoholic stimulants is recognized by an English banking custom which requires witnesses to signatures and to payments of cash on checks drawn by persons under the influence of alcohol.

English banks do not certify checks.

There is no grace on sight drafts in England.

Bills due on "bank holidays" are payable the day after. Those due on Sunday, Good Friday, Christmas Day, and regularly proclaimed days of fast and thanksgiving, are payable the day before.

The London method of treating pass-books is somewhat different from ours. I have elsewhere described this London style.

All customers' checks are finally returned to the drawers after they have acknowledged them to be correct and have receipted for them.

Every English check must bear a penny stamp no matter for how small an amount it may be drawn.

HUSBANDS AND WIVES.

In England a married woman cannot open a bank account unless she has, in writing, the formal consent of her husband; neither can a woman who has opened an account with an English bank while she was a single person withdraw that money after she is married unless she has the approval of her husband.

STARTING A BANK IN LONDON.

There are some features of such a movement that differ slightly from the States' way of doing the same thing. The professional promoter is generally called into use at an early stage of the business. Yet the promotion business has, of late, become such a loud financial scandal that banks, in starting to obtain subscriptions to shares, have felt called upon to state that no money is to be paid to promoters.

An advertisement of one new London bank, which I have before me, states: "No promotion money has been paid, or will be paid, the only contract entered into on behalf of the company being one between

Robert Turner Rhode and Thomas Colman for advertising the prospectus."

What organizer of a big bank in an American city would think of printing such a notice as this?

London bank shares are sometimes fixed at £10 each; sometimes £20.

It is quite common for the new bank to allow 5 per cent. interest on stock payments made in advance of the call.

English branch banks have quite often local boards or committees, under the control and direction of the central board.

Applicants for the new shares are usually required to deposit £1 per share subscribed for.

Here are a couple of advertisements which have an interesting bearing upon the business of floating companies and securing Directors:

TWO HUNDRED AND FIFTY POUNDS WANTED, IMMEDIATELY, FOR A few weeks, for preliminary expenses of floating a railroad company with a very influential Board and Government endorsement. Either one lender, or several lenders as a syndicate. Liberal bonus paid with loan immediately after allotment. Apply Company, 117, Chancery-lane.

DIRECTOR.—A GENTLEMAN, WITH FROM £500 TO £1,000 AVAILABLE capital, can be received on the Board of a well-established company, which has paid dividends for the past four years. Moderate fees and 6 per cent. interest on investment. Apply, by letter only, Y 23, Address and Inquiry office, The Times, E.C.

BANK SHAREHOLDERS' MEETINGS.

I have elsewhere spoken of the generally somewhat farcical character of shareholders' meetings—of the difficulty experienced in securing a decent attendance at them in common times, and of the routine and red-tape style in which their doings are apt to be transacted. These characteristics are somewhat in contrast with the way the shareholders' meetings of the great joint-stock banks and discount companies of London are conducted. There the general course is to prepare a good sized hall for their stockholders' meetings, for shareholders in London seem to have a commendable habit of attending these meetings.

It is just possible that the custom of having a free lunch at these gatherings may increase the attendance. This lunch is served just before the meeting.

"Yes," said a London bank man to me, "it is much the best to have a good lunch before the meeting, since such a lunch is sure to improve the harmony of the stockholders."

At the meetings the prominent and able banker who takes the chair generally makes a long and formal address, relative not only to the business of the bank during the last half year and general prospects of the bank for the next six months, but also filled with reflections and suggestions regarding the general financial situation at home and abroad. He is generally followed by other influential speakers, or, his report upon the doings of the bank may, and quite often does lead to a discussion, in which prominent shareholders take an active part; and

I observed, that in some of these stockholders' meetings, held after a run to a dividend that had been checkered by losses, discussions of a pretty sharp character took place.

Reporters attend these London stockholders' gatherings, and the next issues of the leading London papers contain all the facts, figures and speeches presented. The publicity of these meetings, and the way they are reported in the press, are peculiar features of London banking.

Herein is a change from customs formerly prevailing in these premises. It is not until comparatively recent times that the Bank of England made any public returns of its condition. It used to refuse point-blank to show its hand; and neither the people nor Government could force the old Bank to make any statements regarding its circulation, deposits, reserve, etc. Now it prints a full and clear weekly statement of its condition.

After the meetings, in the evening, there is a big dinner, to which Directors, Managers, etc., and distinguished guests are invited.

CONSOLS.

These certificates, which represent the vouchers for the consolidated debt of England—the word being an abbreviation of consolidated—are steadily quoted in the money articles of the London press—and sometimes in this country as well—in a way which is rather confusing to the average American reader. The record of the monetary day of London, so far as it touches on consols will read thus, the quotations varying constantly, of course. We quote from the London "Times":

"Consols are unchanged at 94⅝ for cash and 94⅞ for November settlement."

This record I happen to quote from the "Times" of October 21st.

A sale for cash is an easily understood matter. That of course means payment at once. But the second quotation refers to sales "for account," as the English phrase is, and in that case it is understood that they are to be paid for on the next "settling" day for consols, which is the first of the next coming month.

On the London Stock Exchange there are special settling days for securities of all sorts, including transactions in foreign exchange.

BANK PROFITS.

I have been often asked how it is these great London banks, with their enormous expenses (£150,000 in six months in one case) and their habit of paying interest upon deposits, and in face of the fact that discount rates are low, can make such enormous dividends—say from 7 to 20 per cent. a year—besides carrying heavy sums to the "rest" accounts. This question I can easily answer, having specially looked into this point.

These great and successful banks have enormous deposits. They have two classes of accounts—demand deposit accounts which are open steadily for reception of deposits and payment of checks and upon which they pay no interest, and time deposits upon which they

pay low rates of interest. The first-named accounts, in the great banks, are very numerous, and carry handsome daily balances, making up an average line of deposits which are of great value, and which the bank can depend upon in making discounts.

Some of these banks allow overdrafts, upon which they charge pretty stiff interest rates. "And," said a Londoner to me, "our banks have a habit of charging their dealers pretty well for everything they do for them."

Here is an interesting table of recent date giving the figures of the large London banks, which is so made up as to illustrate some of my statements, and which also permits a comparison of the business and profits of the city banks having a comparatively local business with those which also do a country business through branches.

City Banks.	Deposits.	Capital paid in.	Paid in per share.	Dividend, 1889.	Market value.
London & Westminster, Lim....	£25,694,000	£2,800,000	£20	16 %	£42
London Joint Stock, Limited....	11,885,000	1,800,000	15	12½	40
Glyn, Mills, Currie & Co.....	14,848,000	1,000,000			
Union, Limited.....	14,204,000	1,705,000	15½	12½	42½
City, Limited.....	6,014,000	1,000,000	10	10½	24½
Imperial, Limited.....	3,646,000	675,000	15	7	
Alliance, Limited.....	4,656,000	800,000	10	7	17
Consolidated, Limited.....	3,640,000	800,000	4	10	8¾
Central, Limited.....	1,708,000	156,250	5	10	11½
London & South-Western, Lim.	4,879,000	400,000	20	7½	42
Total, ten banks.....	£91,174,000	£11,136,250			
City Banks with Country Branches.					
London & County, Limited.....	£33,804,000	£2,000,000	£20	20 %	£93
National Provincial, Limited....	39,311,000	420,000 1,807,500	10½ 12	20 20	48 55
Lloyds, Limited.....	17,357,000	1,300,000	8	16¼	29
London & Provincial, Limited...	5,578,000	400,000	5	14½	20
Capital & Counties, Limited....	9,789,000	800,000		18	
Total, five banks.....	£105,839,000	£6,727,500			

In addition to capital the first ten banks have a surplus of £5,600,000, and the five following banks have a surplus of £4,230,000.

SOME EXCELLENT IDEAS.

When I first went to England I had somewhat of an idea that English bankers were perhaps a little slow and old-fashioned. I did

find that in some matters they were following exactly the same methods that were in use two or three hundred years before; but as I could not see how those methods could be improved I concluded that an old-fashioned idea might yet be a good one. Further acquaintance with their customs taught me that many of our best business methods here were simply imported from there, and I found still other of their ideas and ways in carrying out the details of vast mercantile and financial transactions which might be profitably introduced here.

In this connection I will speak of the Institute of Chartered Accountants as one of these old-fashioned British organizations which should be copied in this country.

There is one feature of the management of the Institute which it is proposed by our American Bankers' Association to incorporate into its plan for associate membership in that association, and that is a system of what may be termed civil service examinations of bank officers. The English society holds a preliminary examination, an intermediate examination, and a final examination in the month of December of each year, each of which lasts three days. Persons who propose to present themselves for these examinations are required to give at least thirty days' notice. These examinations are held at the Copthall Buildings, London, E. C.

Then, in London there is a large and strong organization, termed the London Bankers' Protection Society. When bank thieves, forgers, etc., are detected, the attorney of this association is pretty sure to appear as the principal, or aid, in their prosecution. And the organization is also active in offering rewards for the detection of counterfeiters, forgers, etc.

Institutions of this character, which exist in many English cities, should be more generally established here. We have some of them, but there are altogether too few of these organizations existing.

Wherever there is a town or city in the United States having several banks, those banks should unite in a plan having for its object the common protection of each and all from frauds and thefts.

Both in England and in this country there has been a custom of late years with many of the largest and best managed banks of insuring, through well-established guarantee companies, the fidelity of their entire corps of officers, on the favorable terms which can by this method be made with the fidelity companies, and paying the cost of the policies at the expense of the bank. This is a practice deserving of high commendation, and doubtless the time is rapidly approaching when it will be very generally adopted by the banks of the United States.

There is another bank-insurance step not uncommon with the English banks, but which is hardly known in America. There are banks in London and elsewhere in Great Britain which arrange schemes of life insurance for their entire staffs of clerks with first-class life insurance companies, paying either the whole or one-half the cost of

the policies taken out. By such action as this, the banks show a humane interest in the welfare of their officers and those dependent upon them, which must strengthen the confidence of the employees in the management of the institutions they are connected with and deepen the ties of devotion to their best interests. And such generous insurance has also a tendency to turn the mind of the insured from thoughts of those speculative schemes so often entered into by the bank officer, who sees little hope of putting by from his wages a proper provision for the future of those who are dependent upon him and his earnings.

As I have thought of this insurance matter and of its adoption among our banks, it has seemed to me as if the officers in banks having a large staff of clerks might combine together and insure their own fidelity through their own bank organization; or the officers of all the banks, in a large town or city, might unite in a mutual fidelity insurance organization.

Perhaps the insurance system in vogue at the Bank of England is as good a model of an organization of this character as exists anywhere. Every officer of that bank is obliged, on entering its service, to give the bank a fidelity bond of a thousand pounds. The lowest sum for which a London Fidelity Insurance Company would furnish such a bond would be £5 a year. But the clerk of the Bank of England pays this £5 a year into a guarantee fund, which was, many years ago, established by the bank itself—in effect, takes of his own bank his fidelity policy or bond. All the profits of the business are steadiy added to the fund, and, at the date of the last reports of the bank, it amounted to £50,000. The losses of the bank through the dishonesty of its clerks since 1845 up to the date of this report had been only two or three thousand pounds. The income from this fund is wholly used for relieving the necessities of the widows and orphans of former officers of the bank. All its officers are, therefore, directly interested in increasing it. And with this end constantly in view, it becomes a matter of duty with them, not only not to endanger this fund by their own unfaithfulness, but also to be ever on the alert to see that fellow officers do not steal from it by stealing from the bank.

The Bank of England has had upon its Boards of Management, during the period over which it is easy for the financial student of to-day to extend a direct observation, some of the strongest and most experienced financiers and merchants of London; and it is, as a purely business institution, probably managed with more business ability than any other bank in the world.

But, after all, that feature of its administration which commands the most earnest admiration of thoughtful bankers is the one which characterizes its treatment of its subordinate officers. It is quite in the habit of taking a paternal—a humane—interest in all its employees.

The men who have been Governors of the Bank of England, in

modern times, at least, have been noble specimens of the Christian business man—the gentlemen who to-day occupy that position being most worthy successors of many others of the same type.

Here are some of the ways in which the Bank of England shows a noble interest in, and care for, the welfare of its thousand officers, and which I mention because they also are a part of the methods which I believe may with profit, be copied by some banks in this country.

At a recent convention of bankers in Saratoga, an accomplished bank officer, in a paper on a model bank—a paper of ability and interest—pictured a systematic pension system as one of the features of his model banking institution.

The Bank of England pensions those of its clerks who have served the bank in a faithful manner for a certain length of time, and this method in its administration has worked admirably.

It is not alone in this practice of looking after the interests of faithful employees. Other London banks as well as those of some other English cities, have their superannuation schemes by which provision is made for the comfortable retirement at an advanced age of those bank clerks who have by long and faithful service worn themselves out by hard work, and who have certainly won a title to a pension for the rest of their lives from the employers whom they have so well served.

It has often been urged that our banks—particularly those in the great cities which have large staffs of clerks—might, with profit, look a little sharper after their physical health and comfort—that is, might possibly extend a little closer supervision over them, as regards these points, while they were under their direct observation.

The Bank of England has its medical superintendent, an eminent physician, who attends at the bank one hour each day, and who is employed by its Directors in all matters directly connected with the health of its employees. Every clerk, before receiving his commission, is examined to see whether or not he is well enough and strong enough for bank work. Clerks who absent themselves on account of illness, are visited at once by the bank physician. Clerks applying for absence, on account of illness, are examined by the physician. If a clerk complains that his special work is injurious to him, the bank physician looks into his case, and, if practicable, relieves him by ordering a change of duties.

The bank has also provided for its officers—officers whose daily routine of work extends from 9 A. M. to 5 P. M.—the best-appointed bank lunch room I have ever visited.

It grants frequent extra holidays to old and faithful officers, promotes systematically, and makes extra grants of pay to its clerks in years of exceptional prosperity.

CHAPTER XXV.

TRUST COMPANIES.

Although we are supposed to be considering banking it is highly proper that the trust companies should receive some attention, for they come so near being banks that the National banks who have found them such dangerous and successful competitors for business are often found asserting that they are neither more nor less than banks—State banks sailing under State charters. The remark is often heard that depositors put their money in trust companies because they *are* trust companies, established to hold, *in trust*, moneys, and to invest the same in certain restricted securities of the most unquestionable character. But those best acquainted with both National banks and trust companies know well enough that both classes of institutions where they are properly managed, invest their deposits, capital, etc., in about the same class of securities, and are equally careful and conservative in the matter of their loans. To be sure the trust companies move along under certain State-made restrictions as regards the character of the investments they may make—restrictions which were framed for the purpose of protecting the "trust funds" which they hold. But along-side these trust companies' State defenses may be placed the checks and guards against improper and dangerous loans set up by the National banks, which are of a very conservative and sagacious character.

Trust companies often claim that they are not banks because they do not solicit or desire accounts with merchants, and that they are not in any sense the "wings of commerce," which regular banks have always been euphoniously termed. If they are not entitled to be so called they certainly have claim to the credit of furnishing a good deal of power to the legitimate wings of trade, and, in the matter of current accounts with their dealers, they do a deposit-receiving and check-paying business so like the National and State banks proper that they are hardly to be distinguished from them.

With these facts in view it will not take an intelligent financier very long to come to the conclusion that the difference between the two classes of institutions, as far as the question of which is a bank and which is not a bank is concerned, is more technical than real.

Coming back to the point named at the opening of this paragraph, I remark, that the reason careful men deposit their money in the average trust company of the period rather than in the average National

bank is generally because the former pays more liberal interest upon deposits of all classes.

In Massachusetts, where the modern trust companies have had a remarkably successful career, an attempt has been made on the part of the regular banks to procure the enactment of a law compelling them to keep on hand in their vaults stronger reserves, of a character somewhat similar to those required of the National banks by the terms of the Bank Act under which they live and act. In making this move, the point was taken that trust companies are really banks without circulation.

This work has not for its mission the discussion of theories or the advancing of any partisan views on financial matters, and for these reasons no attempt will be made to present the pros and cons of this exciting trust company reserve question. Bankers and trust company managers, who wish to pursue the matter, can have easy access to a valuable argument in favor of requiring the trust companies to carry heavier home reserves which has been made by R. D. Smith, Esq., of Boston, and which has been published in a pamphlet; and they can as easily reach the printed reply to the Smith argument made by an able financier, who is the manager of a large trust company.

In States where statutes provide that grace shall prevail on time paper other than checks on banks, the question whether a trust company is a bank according to the statutes becomes one of importance.

It has not been held by these Massachusetts authorities that these companies are banks in the eye of the law covering the question of grace and other points, though they possess many of the functions and privileges of banks.

Trust companies, therefore, have as much right to take grace as individuals or corporations other than banks.

Trust companies have greatly increased in numbers and business within the last ten years, and the leading companies of our times are strong and well-managed institutions; and they have made considerable money, in most cases, for the fortunate shareholders of their comparatively small capitals. As the leading trust companies are to-day doing an immense banking business of one class at least—that of paying daily a vast number of customers' checks upon their deposits —it appears every way desirable, looking at the matter from a public standpoint, that they should settle through clearing when they are located in Clearing-House cities. Under the out-of-clearing method of cashing checks (drafts, the trust companies persist in terming them) the messengers of banks, who are the largest collectors of these checks, and the general public, into whose hands many of them pass, are put to a vast amount of trouble, which is all obviated where the checks of trust companies are made chargeable through the Clearing-House.

The present relations of the large trust companies to the National

banks in our Clearing-House cities are of such an important character that they are of a good deal of interest to the financial observer. Out of the connection there may, under some circumstances, be a development of no little financial trouble.

These trust companies scatter among the National banks around them (those banks that are willing to pay a liberal interest upon large, round demand deposits) such of their resources as are accumulating on their hands awaiting investment, or funds which they do not deem it prudent to place beyond their immediate reach. In times of great stringency—of panic—these trust balances must be suddenly reduced at the very time when they are most needed by the banks, as this is always the case with demand deposits. The control of the balances in question may, it is often urged, be in the end a source of danger to the National banks, since in their presence lies a temptation to undue extension of bank time loans.

It has been said that the success of the leading American trust companies has been most marked. This success was a result of the adoption of ideas and methods which had their origin in England. Our great trust companies are, in their most important features, like the joint-stock banks of London. They have, like them, a way of doing an immense business on a small share capital. The writer found the great joint-stock banks of London carrying, on the average, lines of deposits equal to about ten times their capital, and making out of this wholesale business of buying and selling vast amounts of money most enormous dividends for their fortunate shareholders.

Already, in this volume, has been given in detail London dividend, capital and deposit figures. Here with the trust companies, as there with the London banks, "large ales and small profits" has proved a very successful motto in the two classes of banking under discussion.

Wishing to give in detail some clear idea of the way trust companies work—an explanation of trust company methods of machinery—let us take for explanatory illustration a view of one of the best and most successful of the trust organizations. It has a capital of $500,000 and deposits of over $12,000,000:

This company is authorized to receive and hold moneys and property in TRUST and on deposit from Courts of law or equity, executors, administrators, assignees, guardians, trustees, corporations, and individuals, AND MAY BE APPOINTED BY PROBATE COURTS TRUSTEE UNDER ANY WILL, UPON SUCH TERMS AND CONDITIONS AS MAY BE AGREED UPON.

It is by law made a legal depository of money paid into Court by the parties to any legal proceedings, or which may be brought into Court by reason of any order or judgment in equity or otherwise.

It will act as TRUSTEE OF MARRIED WOMEN, and take charge of and manage their separate property.

It offers to the public the advantages of a guarantee capital of half a million dollars, specially invested by requirement of its charter, AND A PERPETUAL SUCCESSION.

It also acts as TRANSFER AGENT FOR RAILROAD and OTHER STOCK

CORPORATIONS, and as agent for the purpose of issuing, registering or countersigning the certificates of stock, bonds, or other evidences of debt, and for the payment of dividends and interest of corporations, associations, municipalities, State or public authority, and also as agent or attorney for the care and management of invested property, and for the collection of dividends and interest.

DEPOSITS may be made at any time, and INTEREST will be allowed on daily balances of $500 and upward.

The company reserve the right at any time to change the rate of interest allowed on deposits.

In the management of its deposit business, here are a few points:

All deposits made later than one o'clock are placed on interest the next business day.

It pays 3 per cent. on demand deposits of over $500, reserving the right to require five days' notice for payments of $20,000 and upwards on any one day.

On deposits made for a specified period of six months or more, it makes special rates.

All deposits must be accompanied by a memorandum describing the items separately.

Interest not allowed on temporary deposits if drawn in thirty days.

It particularly requests that checks and drafts not on banks in its own city should be deposited by one o'clock or earlier, so that they may be forwarded for collection the same day.

Office hours, 10 o'clock until 2 o'clock.

In the matter of its investments, here are provisions of its act of incorporation and by-laws:

It shall be lawful for said corporation to invest its capital and all the moneys entrusted to it, or in any way received by it, in the authorized loans of the United States, or of any of the New England States, or cities or towns of this Commonwealth; in the stock of National banks organized within this Commonwealth; in the first mortgage bonds of any railroad company which has earned and paid regular dividends for two years next preceding such investment, or in the bonds of any such railroad company as is unincumbered by mortgage, or in the stock of such railroad companies incorporated by this State; and the said corporation may make loans upon mortgages on real estate within this Commonwealth, or upon the notes of corporations created under the laws of this Commonwealth, and the notes of individuals with a sufficient pledge as collateral of any of the aforesaid securities; but all real estate acquired by foreclosure of mortgages, or by levy of execution, shall be sold at public auction within two years of such foreclosure or levy.

It shall be lawful for the said corporation to invest its capital, and all moneys held by it in trust, in the authorized loans of any of the counties, cities or towns in any of the New England States, or to loan the same to this Commonwealth, or to any county city or town therein; and said corporation may also invest such capital and moneys in any other securities in which Savings banks now are or hereafter may be allowed to invest, and shall be subject to and governed by the provisions concerning Savings banks which are contained in the General Statutes.

DIRECTORS.

The Board of Directors shall consist of a President, three Vice-Presidents, and fifteen Directors, who shall be chosen annually by the stockholders, by ballot, and who shall continue in office until others are chosen in their stead.

The actuary shall, ex officio, be a member of the Board of Directors.

Vacancies during the year shall be filled by election by the Board of Directors.

The Board of Directors shall appoint an Actuary, a Secretary, and such Clerks as they shall from time to time think necessary, who shall respectively hold their offices

until removed by the Board of Directors. They shall also determine the powers and duties of the officers of the corporation, fix all salaries, and take such bonds or other securities from any officer as they see fit.

The Board of Directors, by themselves, or by committees, shall have the general management, control and direction of all the business concerns and affairs of the corporation. and of all its trusts and undertakings, with full power to make all investments and to transfer all real and personal property belonging to or in the charge or control of the corporation at their discretion.

They shall have power to declare all dividends, determine upon the form of certificates of stock, and of transfers thereof, and upon a corporate seal; do all other things which by law or the statutes of this Commonwealth the Directors of moneyed corporations are or may be authorized to do; and, generally, to do any and every thing, not repugnant to the charter, which they may deem fit and proper to use and carry into effect the powers of the company.

There shall be a meeting of the Directors, for the transaction of business, once in every month, and as much oftener as it may be found necessary; a quorum of said Board shall consist of not less than seven members.

CAPITAL STOCK.

Any member of this corporation who shall be desirous of selling any of his shares, the executor or administrator of any member deceased, and the grantee or assignee of any shares sold on execution, shall cause such, their shares respectively, to be appraised by the Directors, which it shall be their duty to do on request, and shall thereupon offer the same to them for the use of the corporation, at such appraised value; and if said Directors shall choose to take such shares for the use of the corporation, such member, executor, administrator or assignee shall, upon the payment or tender to him of such appraised value thereof, and the dividends due thereon, transfer and assign such share or shares to said corporation: provided, however, the said Directors shall not be obliged to take such shares at the appraised value aforesaid unless they shall think it for the interests of the company; and if they shall not, within ten days after such shares are offered to them in writing, take the same, and pay such member, executor, administrator or assignee therefor the price at which the same shall have been appraised, such member, executor, administrator, or assignee shall be at liberty to sell and dispose of the same shares to any person whatever.

It shall be the duty of such executor, administrator, grantee or assignee to offer said shares for appraisal and to be taken by the corporation, if it shall so elect, whenever requested by the Actuary or Secretary, and no dividends or interest shall be paid or allowed after a failure to comply with such request: provided, that such request shall not be made until after the payment of one dividend and the expiration of six months from the death of the owner, or sale as aforesaid; but the offer may be made at any earlier period if the party shall prefer.

The Directors shall have the power, and it shall be their duty, to sell and dispose of the shares which may be transferred as aforesaid to the corporation, whenever, in their judgment, it can be done with safety and advantage to the corporation; and in all sales made by the Directors, under any of the aforesaid provisions, it shall be their duty to sell the shares to such persons as shall appear to them, from their situation and character, most likely to promote confidence in the stability of the institution; no greater number than one hundred shares being assigned to any one person; nor, in the case of a person already a member, a greater number than will be sufficient to increase his previous number to one hundred shares.

CHAPTER XXVI.

THE SUFFOLK BANK SYSTEM.

I have, in previous chapters, made occasional allusion to this old-time foreign money redemption system,—a system which to-day has, to a very great extent, its counterpart in the National Bank Redemption Bureau at Washington. The Suffolk system was of a very simple character. I was for many years a part of it, as it were, for I was an officer in the Suffolk at the time when its redemption business was at the flood, and I am therefore able to speak understandingly of the matter. Its system was this: It undertook to redeem in specie or its equivalent, whatever bills of the banks of New England were presented at its counters. To be able to make these par redemptions it required of every bank in New England deposits of two types. First, the bill-issuing banks were required to keep with the Suffolk, current balances sufficient to face the incoming redemptions. Second, these banks were also obliged to keep with the Suffolk, a permanent deposit of about three thousand dollars cash, upon which the Suffolk paid no interest, and which deposit was in the nature of a compensation for doing this redemption business. There were three or four hundred of these New England banks which, when the Suffolk system was at its highest tide, were keeping with the Suffolk Bank these permanent deposits and thus giving it more than a million dollars steady deposits upon which it could bank, discount, etc. Then, on the current accounts with these depositing banks, the daily balances often footed up another million or so upon which, also, no interest was paid.

An additional source of revenue was found in its system of deferring credits. It had a practice of crediting all remittances received from its corresponding banks a day later than their receipt. Out of its connection with the country banks—a reciprocal account connection—there grew a very heavy collection business, upon which it also made large profits. These are the main credit points of the Suffolk system—the sunny side of the business.

Here are what may be termed the debit views of the Suffolk methods and machinery. The labor and costs of working up the Suffolk system to a paying business—to a successful standpoint, were enormous. There were banks which long refused to redeem their notes at par at the Suffolk, and these resisting banks had to be forced into line by the tedious and expensive process of sending home their circulating notes for redemption in coin over their own counters,

which coin, when collected by the agents of the Suffolk Bank, had to be carried home to that bank by slow and costly lines of carriage, by stage-coach or private conveyance. There were pugnacious banks which resisted to the very last extremity what they termed the over-bearing tyranny of the Suffolk, throwing in its path every obstacle ingenuity could suggest.

Just about fifty years ago, the late William Lawrence, of honored memory, in company with a gentleman now living, and enjoying in his old age the love and respect of all who know him, started in their own private carriage on a redemption visit to State banks located at Salem, Newburyport and Portsmouth, which had refused to come gracefully into the traces of the Suffolk system. These gentlemen were the early Directors in the Suffolk, and they carried in their coach bags of country bank bills, upon which they demanded and received the standard coin of the day, which they in person brought back and delivered to the Cashier of the Suffolk. On their journey they traveled to the West as far as Groton, and there enjoyed the old-fashioned hospitality of the Lawrence mansion in that town. Thirty years later the Suffolk was redeeming a million of country bills a day, and the bulk of a good day's work was many bushels of small State bank notes. Around a Cashier's desk a crowd of coming and going expressmen were to be seen, loaded with huge packages of the nicely sealed country bank notes.

When I first entered the Suffolk the large attics of its building were overflowing with boxes of all sizes and shapes, which had been used in the transportation of silver, large and small, that had been wilfully forced upon the Suffolk Messengers in redemption of notes by them presented. Many of these boxes rattled with counterfeit remnants of invoices of this silver—base coin which had been passed upon the Messengers. And when the Suffolk system was solidly established, its conduct required an immense force of clerks, a costly plant, and was of a character involving such responsibilities that again and again the Suffolk broached the subject of throwing up the whole thing—but this was mainly in those days of discouragement when their profits were being undermined, and their care and work immensely increased by mysterious defalcations in the foreign money department. The country money defalcations at the Suffolk were of a type of character well depicted by the following story of trouble and loss there:

It was when there were nearly a hundred clerks in the foreign money department of the Suffolk, and the redemptions were averaging about a million dollars a day. These redeemed bills, which were largely made up of notes of small denominations, had to pass through the mill three times. First they were counted in, next they were assorted by their banks, lastly they were counted into packages and finally strapped and labelled. There were many days when the work would extend far into the night, and few days when the hours of the

department were less than from eight to eight. There came a time during this extreme pressure of business when the cash of this redemption department began to report itself short every night—short in large amounts running from hundreds to thousands. Recounts, in the weary work of searching for the deficiencies, became a thing of almost daily occurrence and would extend very late into the night. There was no possibility of closely locating the variations, for the hands of the one hundred clerks were all in one basket. Attempts were made to weed the department of clerks whose habits and appearance raised suspicions of their faithfulness. The most rigid inspection of the out-of-bank ways of life of the officers was instituted, and when this close espionage developed any facts which seemed to tell against a man, he was quietly asked to resign his position. But the outcome continued as before—night after night the short cash would face the worried managers. Somehow or other the department pulled through these days of trouble and, in time, began to run along more smoothly. When the events of these days of worry had become simply an unpleasant memory there came an explanation of the mystery connected with them. A man who had worked as counter during the period in question, and who had never been even suspected of irregularities, sent word to the Directors of the bank from his sick bed, where he lay near his end, that he had been the guilty officer—the money-counter who had abstracted the missing funds. He asked forgiveness. There was nothing to do but to grant it, and let him die peacefully.

Counterfeit bank bills gave the Suffolk a deal of trouble, and no year of its redemption business failed of reporting large losses from the receipts of fraudulent paper of this type. The banks of New England, under the old State system of banking, were in the habit of issuing circulating notes of fine execution—made of good paper, well engraved, and always bearing two written signatures; yet somehow or other, the counterfeiters of the period succeeded wonderfully well in imitating these bills. Here is one of these old-time counterfeits, which was so well executed as to long escape detection. I can easily recall the countenance of the genuine notes of this Marine Bank, New Bedford—Joseph Gunnell's bank—and can testify as to the skillful way in which this fraudulent note was gotten up. I introduce the bill here for two purposes—one, for the object of showing the counterfeit dangers the Suffolk had to encounter; the other, for the purpose of recalling its methods of dealing with discovered counterfeits. At first the Suffolk was in the habit of marking upon the back of bad bank bills presented, that is, the counterfeit and altered notes, a date and an initial showing the time when they were condemned by the Suffolk, and what clerk discovered their fraudulent character. Thus marked, the bills would be returned to the depositors from whom they came. But it would often come to pass that these rejected notes would again get into circulation. And if they came back a second time to the

Suffolk, the marks upon their backs would at once betray to the initiated the name of the party who had passed them off knowing that they were not genuine.

When these "careless" persons were confronted with the facts of their discreditable course, they would redeem the notes but would generally declare that they must have slipped out of their hands accidentally. To avoid disagreeable complications of this character recourse was had to legislation and a law was enacted obliging the Suffolk Bank to brand in an uneradicable manner every fraudulent bank bill it got hold of. Under this law the Suffolk set up a system of burning into every condemned note with an iron brand and black, thick ink, the words "counterfeit" or "altered" as the cases might demand, with the added initials W. G., for William Grubb, the venerable head of the Suffolk department of redemption. Bills thus treated could travel no more. Depositors were often vexed to find such disfigured bank notes returned to them, but they had to accept the situation. Here is the bill to which I have alluded—a curious relic, nearly thirty years old.

Under the Suffolk Bank's redemption system corresponding banks whose bills they were redeeming and whose accounts they were keeping, were allowed to overdraw on payment of the then standard rate of 6 per cent., if their credit and standing were good. But in times of great stringency these overdrafts would become so large in the aggregate as to be an immense strain upon the resources of the Suffolk. At such periods of closeness resort would be had to the most pressing appeals to delinquent banks to pay up. And when these dunning letters ceased to be effective, when it seemed as if a bank was getting hopelessly behind in meeting its redemptions, the Suffolk would stop returning its bills redeemed and, finally, if the case grew desperate, stop redeeming them altogether. In the latter case, the first move was to send a notice to the Boston papers of this ominous character: "The bills of the Sandown Bank, Sandown, N. H., are no longer redeemed at the Suffolk Bank." A circular to the same effect was then sent to all the Suffolk's corresponding banks, and it must be under-

stood that, after such a notice, the Sandown Bank would find it pretty hard work to keep out its circulation or get out any more, for nobody who did not personally know the bank would touch its bills, except at a discount, until the Suffolk had reinstated it. I well remember periods of financial depression and panic when notices of this sort would crop out at the rate of two or three a day.

The dimensions of the country bank overdrafts at the Suffolk were sometimes very startling. The Merchants' Bank, Providence, which was a little "Suffolk Bank" for Rhode Island, at one time ran its red ink figures—its overdrafts—up to a million. But in this case of the Merchants' as in other of the Suffolk's cases of advancing money to the country banks, it generally had in hand a security of a high class value in the shape of the collections belonging to the overdrawers, upon which it claimed to have a good lien. The Suffolk was always very patient with overdrawing banks, and never failed, in times of monetary pressure, to extend all the help to its hard-pressed corresponding country banks which its resources would allow, as long as its confidence in the integrity and general soundness of these debtor banks was unimpaired. But it was, of course, its fate to be sometimes deceived in its estimate of banks which were seeking accommodation, and, as a consequence, to suffer therefrom. Occasional out-and-out and most disastrous failures of New England banks whose bills were being currently redeemed by the Suffolk and whose accounts current were kept with that institution, brought heavy losses upon the Suffolk Bank.

The story of a single experience of the Suffolk Bank with a rotten New England bank will illustrate this phase of its trials I am describing.

The ——— Bank was located above the White Mountains of New Hampshire. It had long kept a very slow account with the Suffolk—had for years just managed to keep its bills good at this redemption agency in State street. There came a period when its circulating notes seemed to be pouring in upon the Suffolk more rapidly than usual, while at the same time the remittances from this ——— Bank became more and more scant and infrequent. But what was missing in cash seemed to be made up in most flattering promises—promises so plausible and earnest that the Suffolk Bank kept on redeeming its notes till it was debtor to the Suffolk to the amount of about $15,000, a sum for which the Suffolk had nothing to show but the redeemed bank notes. It was at the time when the connection with this ——— Bank beyond the mountains had taken on this serious aspect that I was sent by the Suffolk to see what I could do with the delinquent—sent with the $15,000 redeemed bills packed in a valise, to hunt up the debtor bank and collect the money upon the bills, or obtain some security for the overdraft. A long and tedious journey in mid-summer, by rail and stage, carried me to the town where the embarrassed bank was located. Before I reached the place, I gathered from incidental talk with fellow-travelers, who knew nothing of my character or

errand, that the bank I was seeking had for a long time been a scandal in all the country around about it—had not been deemed worthy of the slightest confidence for years. The only place, they said, where its credit had been good for anything was at the counters of the Suffolk, Boston, to which they always sent all its bills for redemption whenever they got hold of them. On reaching the sought-for bank, I found it in the hands of the State Bank Commissioner, who had finally scented out its condition and taken possession of it just before my arrival. The Cashier, a man of little business capacity and of very intemperate habits, who had had entire charge of the bank, had absconded. Its room was shut. There was little in it of any value but an old safe. All its available assets, if it ever had any, had disappeared. In its pigeon holes were no more valuable papers than past due, worthless notes, and accounts and letters from the Suffolk Bank. The man who sent his hat around among an impecunious crowd for a contribution which he did not get, said he was glad to even get his hat back. I was glad to be able to get back after a time to the Suffolk, from my collecting tour, with the bank bills with which I had started. In the end the ——— Bank, of which I am writing, paid a trifling dividend.

The Suffolk Bank system of New England, a system which had become a perfect success, and which had made its name known in financial circles of all lands, was born amid stirring financial contests, and had to struggle hard at the outset for an existence. It died very quietly. The bank which gave a name to the system reaped a good reward for its labors. It paid heavy and regular dividends for a long period, and became so strong and so solid an institution, that "as good as the Suffolk Bank" became a proverb. Its bills enjoyed a wide circulation, for they were looked upon as types of reliability.

The wayfarer, in Hawthorne's story, in taking a bill that was tendered to him, said he knew it was as good as the gold because it was a bill of the Suffolk Bank. The Suffolk paid, when it merged itself into a National bank, a final dividend of $138 a share. The par of its shares was $100. The monopoly which it had so long held—the monopoly of the management of the foreign money system—was, long before the establishment of the National system, upset by the onslaught of J. G. Carney, the founder of the National Bank of Redemption. Mr. Carney was a most indomitable man—a man seemingly made to fight successfully what he termed the tyranny of the Suffolk. After a long and a severe financial contest, the Bank of Mutual Redemption came out of the struggle with a large share of the Suffolk's business in its hands.

Thenceforward there were, up to the day of the setting up of National banking, two "Suffolk Banks" in Boston—two redemption banks, each holding nearly equal shares of the country bank business. And to-day the National Bank of Redemption, a solid and

well managed institution, counts as its best hold that country bank business which has clung to it from the days when it fought the Suffolk Bank.

In the later days of the Suffolk system the circulation of New England bank bills became very large in New York city. The Metropolitan Bank of New York city, started under the management of New England men—John Earl and William and Henry L. Jacques—was the agent of the Suffolk Bank in that city. Its daily remittances to the Suffolk of New England bills redeemed were very heavy. In those days the Metropolitan was one of the most active and one of the best managed banks in New York city. Its ruin—its downfall under Seney—seemed to old bankers who had known it from the start, a very lamentable and most disgraceful thing.

In looking back over the history of the rise, progress, and final decline of the Suffolk system, one cannot help recurring to the fact that it had in its management, first and last, some of the ablest and most faithful bankers New England has ever known.

The Suffolk always had an able corps of workers in its rank and file, and there graduated from this corps many of Boston's present leading bank officers.

At the time of the establishment of the National Central Redemption Bureau at Washington the advice and assistance of officers who had helped to conduct the business of the Suffolk was sought and made very helpful. And the business done to-day in that Bureau is only a Suffolk Bank business of larger growth.

Henry B. Stone, at the head of the Suffolk in its early days, was a banker of remarkable skill and power.

And for at least 40 years two bank Directors whose names have ever been thoroughly identified with the Suffolk Bank's country money business, served consecutively on its chief committee—the committee on the foreign money department. These were Jeffrey Richardson and John A. Lowell.

Jeffrey Richardson—a gentleman held in most kindly remembrance by all who were ever brought in contact with him—was a fine banker of the old school. He was a Director of the Suffolk for nearly 55 years and for more than 40 years was a member of the foreign money committee of the bank—altogether the most important committee in the Board of Directors.

While serving on that committee, and also in the more conspicuous position of President of the bank, which he held for 5 years, he showed a skill, a patience and a kindness of heart that won the respect and esteem of the clerks under, and the men of business who were associated with him. Early in life he had been an active merchant—a large importer and dealer in iron—but from the date of his entry into the Board of the Suffolk Bank up to the day of his death, his time and attention were more given to the banking business than to trade in the

old store on Central Wharf, which he nominally occupied for half a century or so.

When it became evident to most Massachusetts bankers that the days of banking under State charters were numbered and that there was no alternative for the old State banks but to submit to Secretary Chase and be nationalized, Director Richardson, who had all his life been identified with State banking, either in the capacity of President or Director, could not be convinced of the wisdom of reorganizing the Suffolk Bank under the National system. He talked against it, he wrote against it, and, alone in all the Board, he to the last voted solidly against it, because, as he said, he never approved the wisdom of the change. Following is an accurate likeness of this worthy banker that will vividly recall to many a reader his kindly face and cheery presence:

Another well-known officer was Mr. William Grubb, and any detailed account of the Suffolk Bank foreign money system would be very imperfect if it did not make particular mention of his remarkably long and faithful services as chief clerk or Manager of the Suffolk's foreign money department. I knew this gentleman well, having been for 18 years brought in close connection with him while serving as an officer in various departments of the Suffolk, and I can testify that he was one of the most faithful, patient and industrious bank officers I have ever known.

On May 24, 1824, he entered the Suffolk and took charge of its country money business—which it had just assumed as agent of the associated banks of Boston. Mr. Grubb received a salary of $60 a month, with one assistant, a Mr. White, who was paid $50 a month.

Mr. Grubb died in May, 1862, after serving as principal officer of the foreign money department for nearly 40 years.

Early in his career, as head of this department, a contract was made with him that he should assume all the risks of the business as far as

losses from counterfeits and short cash were concerned, and hire all his own clerks. Under this plan his business responsibilities and corps of clerks increased until he had nearly eighty men under him, was counting $1,000,000 a day, and receiving a pay of $40,000 a year.

At one period the losses of the Suffolk foreign money department amounted to over $10,000 in a single year. This was just before the bank divided up the department into several separate divisons, each one of which was under a head clerk.

Here is an accurate picture of this old-time bank-officer:

When the Suffolk Bank began redeeming and sending home bills of the banks of New England there were no express organizations, and the money packages which had to pass to and fro between the bank and its corresponding country banks went by the hands of private messengers, stage-drivers, etc.

The stage-drivers who were connected with this bank business have nearly all expired. Once in a while, some old whip turns up to relate his perilous adventures by road and inns with those old-time bundles of money and bags of coin which came from or traveled towards the Suffolk Bank of Boston. Niles, of the New Hampshire stage lines, may be named as a living typical representative of these coach drivers.

And those special messengers which the Suffolk employed in the beginning of its work have all passed away with the single exception of the venerable Morse, of Sherburne. Morse was succeeded early by a man known among the country banks as "Old Wyman of the Suffolk." His messages to the country banks were often of an ungracious character, and they seldom welcomed his advent among them with his stacks of their bills and his demands for specie.

When, in his advanced life, Mr. William Wyman gave up traveling

for the Suffolk, he retired to a coal business at East Cambridge to which he had been helped by Suffolk friends, and in which he remained until his death.

At the counters of this bank in the days of its redemption activity might every morning be seen, signing receipts for stacks of packages of country bank bills, those well-known pioneers of the New England express business, Alvan Adams, Col. A. D. Hatch, B. P. Cheney, Fiske of the Vermont lines and a host of others of the same profession, most of whom have passed away.

Col. Hatch, still full of activity, can justly claim to rank as the oldest living express messenger in New England, and one who has taken from and delivered to the Suffolk Bank about as many packages of money as any express agent.

Without doubt the development and rapid early growth of the express business of New England was largely due to the carrying demands created by the Suffolk system, and to-day the express system and railroads have entirely taken the place of specie messengers and private conveyances; no vestige of the old State system of banking remains, as far as circulation is concerned; but the express companies are bringing in every morning to the National banks throughout the country their issues of National circulation, redeemed at the National "Suffolk Bank" at Washington and to be accounted for to that institution without delay.

From the experiences of the Suffolk Bank I have gathered many anecdotes which I have given in the preceding pages. I venture to close this chapter with still another which I think I have not yet used.

In the days when the redemption business was at its height, the Cashier of the Suffolk once delivered into the hands of the agent of the express company a package of redeemed bills of the ——— Bank, which were to be delivered at once to that bank, and which were, on delivery to the said express agent, charged to the bank's account. The package, which was duly receipted for by the express agent, was a bulky one, for it contained some thousands of dollars of small bills. This ends the first chapter of this story. At the close of the month the Suffolk Bank rendered its account to the ——— bank, upon which stood boldly the charge against the bank of this aforenamed delivered package. The ——— bank, on examining the account, reported as a discrepancy this charge for bills redeemed and sent home, representing the delivery we have described, for they said they had never received such a parcel. The express agent was overhauled. He looked at his records and his receipt for the bills on the books of the Suffolk Bank. He said it did seem as if he took that missing package but he could not imagine what had become of it. Here the mystery began. The matter dragged along under this cloud for weeks. Much correspondence was indulged in and a law-suit was imminent. At the end the whole contention was cleared away and the mystery solved by the

discovery, by the express agent, of the lost bills in a sly corner of the box *under the seat of his express wagon* where the package had been knocking around in the wagon for all those weeks.

Of course matters were straightened out at once, but had the express agent been particular about squaring his delivery book, or the Suffolk Bank more particular about checking off its acknowledgments for remittances made to the country banks, the money would probably have spent that time in a safer place and our story would have been much shorter.

CHAPTER XXVII.

EVERYDAY QUESTIONS AND OTHER MATTERS.

Banks are often applied to for charity bestowments—voluntary contributions to this, that, and the other benevolent objects. Such appeals can, of course, only reach the bank through its Directors. The Directors are merely the representatives of the shareholders, who are really the bank. Broadly stated, the Directors of a bank have no right to give away the shareholders' money. They were not delegated such a power when they were chosen to their position. They were put in their places to act as managers of the stockholders' capital, and such other capital as might cling to the bank in the way of deposits, circulation, etc., and to manage it with the view of making as much profit on it as is honestly possible. For these reasons bank Directors should be very wary about voting away funds of the institution in their charge in response either to the calls of charity, philanthropy, or patriotism. Banking capital is placed in the ruts of business to earn money in doing business. Its Managers are given no discretionary powers which can be construed into powers to make donations other than those which may be deemed to be in spirit legitimate, judicious, business investments—charity prompted by policy and prudence, and practiced simply because the best judgment of the Board of Directors gravitates to the conclusion that the bank will, all things considered, be in the end a gainer pecuniarily by the charity investment.

Of such a character are votes of money by a bank to help along rebuilding operations in a fire-stricken locality, which is covered to a large extent by its loans. In this case it gives away shareholders' money in order to save more money for them by helping along the staggering debtors of the bank. It is easy to imagine many instances of giving similar in character to this one.

In time of war, banks may legitimately vote to donate money to help in the work of the self-preservation of their Nation, whose ruin would be the ruin of its banks.

Grants of money to disabled employees who have served it long and faithfully, and who are found to be in need when no longer able to do duty, come within the category of gifts properly and legitimately bestowed by a bank. For action of this character is good banking—a part of its legitimate system.

Charity investments of this description on behalf of the shareholders

are justified on the true ground that the proper recognition and encouragement of the men who are in responsible positions in banks is merely a measure of self-protection and strict justice.

But, reverting to the general principles which rule in the premises before us, we have only to say, finally, that bank Directors have no bank money to simply give away. The bank money is the property of the shareholders. If the shareholders wish to give they can take money out of their individual pockets.

SMALL ACCOUNTS.

Every bank has upon its books accounts from which it receives no direct profit. Many of these are so small that they hardly pay for the paper upon which they are kept. They have been taken on for various reasons; the most common reason being that the account has come in such a shape that it has been more difficult to refuse than to accept it; and, in many instances, the expectation of some indirect advantage from keeping them has had something to do with their acceptance. These little accounts are generally personal, and it will be noticed that the oldest and best of our banks generally have the most of them, for such banks have the widest circle of personal acquaintances.

Recognizing the fact that there must always be large numbers of these little bank accounts, which have got to be kept by somebody, the question of what shall be done with them is the one that must be disposed of.

I would recommend to all banks to take all of the respectable accounts of the class in question that are offered, no matter how small they are likely to be, and charge a commission for keeping them. A great many of these small depositors would prefer this way of doing, for it would place them upon an independent footing.

And many who would like to open bank accounts, but who are deterred from so doing because they don't like to place themselves under obligations to a bank for doing business for them which does not pay, would open accounts if there were some arrangements for their paying a percentage upon them, to cover their cost and as a fee for banking privileges.

SPECIAL DEPOSITS OF VALUABLES.

The Banking Department at Washington long ago took the ground that the National banks had no legitimate right to encumber themselves with the labor and responsibilily of storing and caring for special deposits of money, bonds, and other valuables, belonging to their customers; and, as a consequence, and greatly to their relief, most of the National banks have abandoned this sort of business, and thereby given to the safe deposit companies a clear field for their work.

Some banks have set up special safes or vaults, in which their Directors and a few heavy customers are allowed lock boxes for the storage of valuables; but this is a custom which is not very satisfactory

either to the bank or customers. These Directors' vaults afford, it is true, free safe deposit room, but it is not deposit room which has such well-nigh perfect and systematic safeguards as our first-class safe deposit companies; neither does the bank which furnishes this room assume any direct responsibility.

The custom of the banks, which once so generally prevailed here, of keeping store rooms for their dealers is of London origin. London banks have done this sort of business for one or two hundred years. It is only recently that the public safe deposit idea has obtained there at all. And the only safe deposit company which has been set up in that city has never paid a dividend, and has received light patronage.

The London banks have, so far, never made any charge for the use of their strong rooms. But heavy losses from them, which policy has induced them to make good, have disgusted them with the business, and they are now proposing to give up the business or make a charge.

French banks never take charge of valuables on account of clients without making a specific charge and undertaking complete responsibility for any ordinary loss which may happen. The rate charged is about 4d. per £100 per annum, or about one in six thousand, and is moderate enough. Now and again the banks have the opportunity of giving notice to their customers that the latter must take the risks of war—this being something like the clause in marine policies which exonerates the underwriters from piracy, war, etc.,—but the customers, on the whole, obtain real security.

NOT RIGHT.

There is a bad usage in banking which is seldom discussed—seldom condemned, as it should be—to which direct reference should be made in any treatise on practical banking. The practice we here have in view is that of paying private commissions to Cashiers and other leading officers of banks for securing their services in the way of influencing purchases and investments made on behalf of their banks, depositors, correspondents, and trusting friends and acquaintances who come to these officers for advice in regard to investments.

It is an every-day occurrence for a bank Cashier—especially if he is connected with a large bank in some great financial centre—to receive from promoters of new companies, who are endeavoring to float the stock or bonds of their concerns, or from brokers and dealers in shares and bonds and money investments of many sorts, circulars setting forth in attractive style the sure and profitable character of the proposed investments. The circulars are often accompanied by a private slip, not intended for eyes other than those of the Cashier, and least of all those of his customers, stating—and here we copy from an actual, working circular of the class in question, the last one, in fact, that I received:

In case you should have any friends who would like to invest some money in these mortgages we will pay you a commission of 2 per cent. on all money which you send

us to lend for other parties. We guarantee satisfaction. We hope you will consider this proposition favorably, and give the matter a part of your time with the result of sending us some funds to lend. Should there be any points on which you desire further information we will answer your inquiries. Hoping to hear from you soon,

We remain, —— ——.

The investments offered by this circular were guaranteed by its signers to pay 8 per cent. net; and when money can be readily obtained for about half of this rate, on good security, the conclusion must be reached that its holdings forth must be at least a little delusive.

This Cashier's commission business often assumes another phase. These officers are, in the regular course of their business, in the discharge of legitimate duties for which they have been retained by their banks, often called upon to buy and sell for their banks and its customers and occasional correspondents, securities of every name and nature. The bulk of business of this character has to be done by them through private bankers and brokers. In such buyings and sellings the Cashier is sometimes tendered by the parties with whom he deals —the brokers and bankers from whom he buys or to whom he sells— a commission which does not appear on the surface of the transaction. He finds no mention of it on any bills of sale or purchase, yet it is quietly offered to him as if it was a regular thing that he should accept it. If he does so he places himself in a false position—has given his countenance to an objectionable practice. The parties for whom the buying or selling is done know nothing of the charge; for the bills of sale and purchase are made out at what may be termed the long prices and not the net ones. The bank whose officer he is often knows nothing of this business, for it appears upon no record. The commissions in question really come out of the "consumers"—the parties for whom the transactions are effected.

Bankers and brokers, who are dealing with Cashiers whom they know they must divide commissions with, cannot in the long run make as favorable terms with them as with Cashiers who will not accept such "influence" money.

Many a bank Cashier who has "gone under" began to fall by first taking the steps we here condemn.

THE RIGHT TO ISSUE TIME CERTIFICATES OF DEPOSIT.

Such issues we do not consider in harmony with the principles of sound banking, and they are not distinctly provided for in the Bank Act of the United States. They have never been directly countenanced by the Banking Department, yet it must be stated that there are no distinctly prohibitive clauses in the Revised Statutes of the United States and no statutes or legal decisions under those statutes that have ruled them out. National banks have from time to time issued time certificates, and some are to-day doing so. The existence of vouchers of this class has been reported to the Department, and they have often

figured in the regular returns to the Comptroller, yet the banks making such issues have not been proceeded against therefor and have not been suppressed for doing business of this character.

Here is a very curious fact relative to this matter. The Comptrollers of the Currency in the past have pronounced against these time certificates. The present Comptroller sets his face against them whenever questioned on the matter. Yet, singularly enough, he sends out to all the National banks of the United States, whenever a return of condition is called for, an official blank form for a statement in detail of condition, which contains an item and heading under which time certificates of deposit are to be reported where they exist as a part of the deposits of the bank.

The inconsistency we are alluding to has long been a matter of common talk among bankers, and we are surprised that public attention has not been more generally called to it.

DISCLOSING THE CONDITION OF A DEPOSITOR'S ACCOUNT.

A nice point is, to what extent it is justifiable and reasonable for the managers or officers of a bank to reveal to third parties the condition of the account of one of its dealers. There is no direct and positive rule that can be laid down in this regard. Law and common sense must be left to rule according to circumstances in this delicate matter. The semi-public character of banking institutions is a feature which has an important bearing upon the question raised. National banks are obliged to publish reports of their condition, to make regular statements of their resources and liabilities to the Comptroller of the Currency, and to give the public Examiners access to all their methods, machinery and records of all the transactions of every name and nature which they may have. It should be borne in mind that any shareholder in a bank, no matter how limited his holding, has a right, as one of the proprietors, to "look into" his bank to any extent that is not an unreasonable interference with its regular routine of work and not an unjustifiable interruption of its administration. It is often argued that any person, who has found it difficult to get at the situation of the affairs of a bank by a direct approach, can accomplish his purpose by carefully studying its published reports or by buying the smallest amount of stock and then demanding a view of the inside on the ground of being a stockholder.

Bank managers and officers should take extreme care not to disclose in an indiscreet manner any business affairs.

SHALL WE PROTEST?

It was a certificate of deposit, regularly issued by one of the strongest National banks. Its amount was $5,000. In time it came back for payment through the Clearing-House from another National bank, bearing numerous endorsements besides that of its first payee, because it had passed through many hands, and had been made payable from

one to another. When the Paying-Teller of the issuing bank came to pass upon this certificate before he should finally pay and cancel it he found one clearly demanded endorsement missing. One payee had omitted to put his name to the voucher. The certificate was for this reason at once stopped and returned to the bank last holding it and from whom it had been received through the clearing settlement. This latter bank refused to guarantee the missing endorsement, and, after a second regular demand upon the bank issuing the certificate, protested it for non-payment and returned it with charges. This case is of an instructive character, since the question at issue under it is whether there is any need of or any advantage in protesting checks, certificates of deposit, etc., of whose face there is no shadow of doubt and which are sure to be good when presented, simply because of fully conceded irregularity of endorsements or an absence of needed endorsements. It seems clear enough that there is not the slightest need of protesting under such circumstances, and the protesting bank, in the case we have described, was clearly in error in making a protest. What possible need is there of protesting a certificate of deposit which is sure to be paid whenever presented propenly endorsed simply because the bank which has issued it refuses to pay it because it comes in not properly endorsed? Protests are made to hold endorsers; but what object is there in securing endorsers if a bank is entirely satisfied with the promisors?

WHEN INTEREST ACCRUES.

There is sometimes a little confusion in the minds of bankers and business men regarding the question of the interest dues in transactions where there are no specific statements of interest contracts. There are certain well-defined principles which govern such cases that should be understood. Money voluntarily left by any one in the hands of another will not, of course, draw any interest unless a specific mutual agreement to that effect is made. But when funds belonging to one person are wrongly detained by another, the owner can set up a legal claim for interest upon the sum which has been kept from him, and the rate of interest collectible under such circumstances will be determined by the law of the place where it is detained.

There is a point of no little importance to be noted here. It is often asked whether or not interest can be enforced where a party gives a note to another payable on demand without inserting in such a note the words "with interest," although the transaction was entered into with the understanding upon the part of both borrower and lender that interest should be paid upon the sum advanced. The claim for interest under such circumstances would be a very substantial one, for it would rest upon very solid grounds. In the first place it would always be probable that some proof of the existence of an agreement or understanding that interest should be paid upon the money advanced could be presented, but without such specific testimony the interest

demanded would find a very solid support in law and equity in the fact that the very nature of the money transaction in question carries with it the idea of compensation—of hire or interest.

The money is the property of the lender, who has placed it in the hands of the borrower at the request of the borrower as an accommodation. The voucher given is not a simple certificate of deposit but is a promissory note carrying with it the distinct idea of accruing interest.

FORGED ENDORSEMENTS.

A bank is supposed to know the signatures of its depositors. It is one of its first and most important duties to have them on file and immediately accessible by the use of a well-kept signature book. Holders of checks, in very many cases, know nothing about these drawer-signatures. They have taken them, supposing, of course, that they are genuine. When they have collected the checks at the banks upon which they are drawn they are to a very great extent relieved of all further responsibility as to the signatures of the signers, for the bank by paying them has guaranteed their genuineness. But the bank which cashes for a good holder a much-endorsed check, the signature of which is all right, generally knows nothing about its many endorsements beyond the fact that they seem to be all right and stand there in regular order, apparently correctly made. For the honesty and genuineness of these many or few preceding endorsements the last holder, for whom the check is cashed, whether he endorse the check or not, is fully and legally held, and no reasonable lapse of time before a discovery of the forgery is made will relieve him of this liability.

But when some drawer or endorser states to a bank that it has at some past date paid a check bearing a forged instead of a genuine signature of that person, and makes a demand for a repayment of the money, the bank which has the misfortune to stand in such a position must proceed carefully in this matter of acknowledging the fraud and repaying the amount. It has a right, and it is its duty, to demand from the party who declares that his name has been forged upon the back of the check a well-supported affidavit to that effect. The relations and responsibilities of the paying bank to the drawee and to the other genuine endorsers of the check render this course absolutely necessary.

INK RESPONSIBILITY.

A courteous and intelligent man calls at my desk, and, sitting down by me asks and obtains my permission to show me in five minutes that all the inks I am using in my bank, and all which I have ever used and ever can use, except the one he proposes to show me, are just good for nothing. By "good for nothing" he means that they can all be quickly removed from common paper, while by ink which is good for something, he means the ink that he is going to show me, which he says cannot be washed out. This ink-man carries with him a little

case, containing two small bottles holding preparations of acids, and accompanied by a camel's hair brush. "Snook's ink eradicator" he terms this affair, and says that I or any one else can buy it for fifty cents from any stationer. He adds the remark that his friend Jones, the great bank stationer, says he never sells this ink eradicator without feeling that he does a careless, if not a wicked, thing.

From the letter, check or draft which I have just been writing, the man with the new ink quickly washes, with his eradicator, with perfect ease, any or all of the words or figures which I have made upon them. He makes what we term a "good job" of the thing; for, after he has ended his bleaching process, there remains upon the paper no trace of the former writing and no sign of the workings of the acids. The ink-man then kindly shows to me his own new and wonderful ink, the great fluid called the "cosmopolitan safety ink," which is to revolutionize the writing business, since it will make tracks upon paper which no man can remove with any chemical preparation that has been discovered or that ever can be discovered. In proof of all this the agent writes in my presence with his ink, and then vainly attempts to eradicate what he has written with the ink eradicator I have described as being a part of his equipment.

The agent of the cosmopolitan ink next produces an experimental sheet, whereon all the standard common writing fluids of the period have been submitted to acid tests by Messrs. Copperas & Co., the leading chemists and assayers of New York, with the result that every one of them may be said to have stepped down and out under the inquisition to which they have been subjected—not one of them offering any sort of resistance to the leading and well-known re-agents which come into the class of ink-eradicators.

This significant exhibition is then supplemented by the display of another test sheet, on which the cosmopolitan ink has been subjected to precisely the same chemical trials as those which were imposed upon the ink-list just described, with the result that the new ink stood out clear and strong after all the attacks made upon it.

In view of such interesting facts as these, what is the practical banker of to-day to do in these ink premises? Shall he at once discard all his old inks and adopt the new—or what shall he do about the matter?

At this precise stage in the history of ink inventions and ink-eradicating discoveries, it is not easy to answer the questions I have raised in this connection.

When it has been as firmly established that any new ink will stand, as it is now certain that the old will not stand, it will become the duty of all bankers to discard the old and adopt the new. It will become unsafe for them to do otherwise. By doing anything else the banker will take upon himself a dangerous responsibility—a responsibility similar in nature and philosophy to that which he assumes when he uses an unsafe

paper in drawing checks, or unsafe doors and locks when he puts away the cash and securities of his bank.

The most interesting question to be raised by any alert banker when a new safety paper, a new combination lock, a safety ink or a check punch is presented to him is this: You say no attempt to circumvent either has so far been successful, but how long is it to be before cunning rascals will, by their successes, prove them worthless as safeguards? How long will it be before the agents of something new in each of the lines named will come along, saying, "These are all 'no good;' here is something you can really rely upon."

The responsibility assumed by banks and business men when they do not use the best of methods and machinery in the transaction of their check business is laid down clearly in the following legal decisions in "Daniel on Negotiable Instruments":

"But when the drawer has drawn his check in such a careless and incomplete manner that a material alteration may be readily accomplished without leaving a perceptible mark or giving the instrument a suspicious appearance, he himself prepares the way for fraud, and, if it is committed, he, and not the bank, should suffer. This doctrine is clear, and sustained by authority."

The Supreme Court, the United States Circuit Court and the Court of Common Pleas have rendered the following decision:

"The maker of check is obliged to use all due diligence in protecting it; the omission to use the most effectual protection against alteration is evidence of neglect, which renders him responsible for the fraudulent amount, the bank being responsible only for the genuineness of the signature and ordinary care in paying the check."

The United States Circuit Court, October 15, 1874, gave the opinion:

"If there was nothing unusual in the appearance of the raised check, nothing sufficient to put a careful person on his guard, the bank shall not be responsible for paying it."

The Court of Common Pleas, "Herald," February 3, 1875:

"Where one person, by his act or omission, induces another to part with his property beyond the power of reclamation, he is estopped from showing, as between such person and himself, that such action on his part was the result of ignorance or of fraud practiced upon him. Of the two innocent parties, he is the one that must bear the loss."

POWERS OF ATTORNEY.

The banker who is asked to accept for himself or to guarantee for some one else the correctness of an endorsement by attorney, expects that the paper of authorization under which the attorney acts will be left with his bank or placed on file at some other bank or an equally accessible and public place. Powers of this sort—in fact all kinds of what may be termed per procuration papers—are in many cases very judiciously made a matter of public record at the offices of Registers of Deeds. In such cases the fact of the record is carefully minuted on the original power by the officers at the office of the Register of Deeds, and the record at this office is of great reference value in case evidence of the correctness and existence of the powers in question are asked for. In drawing up papers of the class discussed ready aid may be found in the books of law forms which are sure to be in the library of

every bank. Below will be found an original form of a power of attorney from a husband to his wife to draw checks, collect dividends, etc. which is a model of conciseness and directness. It will have a curious interest for the reader from the fact that it is the power of attorney of Daniel Webster to his wife—in Mr. Webster's own handwriting—a power taken from the files of the bank where it was actually used by Mrs. Webster:

Know all men by these presents that I, Daniel Webster, have constituted & appointed, & do constitute & appoint, my wife G. Le R. Webster, my true & lawful attorney, in my name & stead, or in her own name, to make & draw, at all times hereafter, checks, or orders for any money standing to my credit in the State Bank in Boston; & I hereby authorize said Bank & its officers to pay all such orders & checks, in the same manner as if drawn by myself.

Witness my hand, at Boston, the 4th day of January 1847.

Daniel Webster

Peter Harvey

LEGAL AND ILLEGAL HOLIDAYS.

There are two classes of holidays for bankers and merchants who are willing to take them—those which are termed legal holidays and those which are not. In the case of the first named the banks find no difficult questions arising as to the way they shall be kept.

Banks on such days are not open at all, do not receive their mails or transact business of any description, but as far as business is con-

cerned, consider them just the same as a Sunday, and this arrangement is, of course, perfectly safe and consistent.

Illegal holidays, on the contrary, are in many points a source of annoyance both to the banks and their customers. We have in this country none too many bank holidays, and in the matter of closing days it would be a far better arrangement than the one now existing if we had more lawful bank holidays and fewer days of closing which have not been legalized; for where a bank observes holidays which are not legal—shuts up its place of business when it has no legal authority to do so—it has to assume responsibilities which are sometimes troublesome and even risky.

The matter of maturing paper is one of the most important points I should mention in referring to this matter.

Where notes maturing on the illegal holiday are in the hands of the closing bank for collection it cannot oblige the promisors to take them up the day preceding. Most makers of paper are, however, in the habit of cheerfully doing this. They shut up, themselves, on the holiday and are, of course, glad to attend to all business which matures thereon on the day in advance. But those exceptional customers who do not favor the closing, and do not close themselves or wish any one else to do so, know their rights and are often quite willing to maintain them. Their holiday-maturing paper, where the holiday is an illegal one, must be kept in hand by its holders until the close of business on the holiday in question, for it cannot be protested until then. If the paper is payable at a particular bank, that bank must in effect be open at its regular hours on the illegal holiday in order to attend to this paper, so that banks which shut under such liabilities for collection and presentment usually leave some clerk at the bank to take charge of the unpaid maturities of that day—collect or protest them—or post a notice on the doors stating where their unpaid paper maturing on that day may be found and where presentments coming to them may be demanded.

If the maturing paper has not been made payable at a bank or any other specially named point other than the signer's residence or place of business, the bother is increased, for if unpaid, it must be presented to and its payment demanded from the maker personally (if he can be found) at his place of business, or his residence if he cannot be found at his place of business.

Makers of notes of this last-named type cannot be forced to hunt up their paper—to go to a bank, for instance, to pay; they can demand that the paper shall be brought to them before a legal demand can be made upon its endorsers.

The bank, which shuts on an illegal holiday with paper of this class maturing that day, must be very careful to see that the paper in question is attended to in the manner we have stated.

Sometimes awkward embarrassments arise in closing on illegal holidays in the matter of the deposits. A dealer has been known to

make trouble for his bank because it shut up his balance—made it inaccessible—on an illegal holiday when he needed to check upon it to meet notes or pay bills.

The treatment of the incoming mails on an illegal holiday is also a serious question and closing banks are sometimes at a loss what to do in this matter.

Especially is this the case in cities and towns where there are many banks and a Clearing-House. As no settlements at clearing are made on such days, and as the banks have no means of making collections from each other, it evidently becomes a dangerous and embarrassing thing for any bank to take its letters from the postoffice on such a day; if it takes them from the mail it should open them, and if it opens them, the question arises how shall it proceed if the letters contain large checks and sight and demand drafts? Regarding its treatment of the latter the difficulty is increased by the fact that the places of business of the drawees are likely to be shut.

If it does not take its mail from the office at all it certainly may incur very unpleasant responsibilities, yet the chance of trouble seems less from this course; and I have no doubt that it is the better plan not to take the mail from the custody of the postoffice. My readers will not doubt that I have very decided views against going for the mails on Sundays and other legal closing days.

SHALL NATIONAL BANKS BECOME DEALERS IN MONEY?

Shall National banks become dealers in money, or shall they simply bank upon the capital furnished them by their shareholders, unhired depositors, and bill holders? There is no banking question of the period of more vital interest than this, and none which is being more actively discussed.

There is no doubt but that some of the most successful banks in the United States—banks which have paid the largest kind of dividends, and which to-day show a heavy surplus and a current business of the most profitable character—are those which have been run upon a moderate share capital and large interest-paid deposits. These banks have bought money in all directions, paying comparatively heavy prices for it, and have sold the same at a very slight advance. Yet the magnitude of their transactions has so swollen their profits that their small capitals have reaped the largest remuneration. This is doing business on the London joint-stock bank principle—a principle which has in London been worked with marvellous success. The leading London banks in question carry deposits, upon which heavy interest is paid, to the amount of from ten to twenty times their capital. Their dividends have for many years been enormous, and their shares to-day sell, in some instances, at two or three times their par value.

Banks which deal in money to the extent which I have described, and which carry the limited share capital, have need only of making a very small percentage on the money they handle in order to earn a

large dividend for their share capital. The motto of such institutions is large sales and small profits, yet the net results are most satisfactory.

The risks of banking of this class are large. The management of the enormous loans, which is the critical feature of the business, demands extraordinary vigilance and caution, for a slight sweep in the wrong direction, where such heavy current investments are being made in notes, acceptances and collateral loans, must at once wreck all prospects of dividends for stockholders.

It must have been noticed by observing bankers that the drift of banking in the United States has of late been in the direction of an imitation of this English style of doing business. The great success which has marked the management of some of our largest trust companies—which have copied directly the London banking methods—has had much to do with leading the National banks into the habit of paying higher rates of interest upon deposits.

WHAT CONSTITUTES A LEGAL SIGNATURE.

I held in my hand, on one occasion, a draft drawn upon the United States for $25. It was a draft for a poor soldier's quarterly pension. Being written payable to his order it needed his endorsement. The soldier had endorsed it with a lead pencil. The United States refused to pay, saying it must be endorsed in ink. I had to send the uncollected draft traveling back five hundred miles in search of the soldier and an ink endorsement. The demand of the Treasury was in accordance with its regulations, but not in accordance with English and American law, and may be termed a red-tape rule. A signature written in pencil is just as binding as one written in ink. In fact, it makes little difference with what materials a person records his or her name; and, even more, an individual can be said to be the endorser of a paper if he does not put a mark upon it at all, but merely makes a declaration to that effect. For illustration of this point let me lead my reader to the busy desk of a Paying-Teller of a bank, where I have witnessed such a transaction as this:

Resolute customer presents a check on the bank payable to his own order. Teller says, "You must endorse it." Customer refuses, saying, "You have the check in your hand, and I have ordered you to pay it; what more do you wish?" If the check was cashed under such circumstances, the law would hold that the payee had really "endorsed" it, although he had left on the check no written testimony to that effect.

For writing is, after all, only a very convenient proof of an act of a person. And because it is such a convenient evidence of a deed—of an agreement—custom demands it in such cases as the one I have given.

To show still more clearly the minor importance of the mere writing, I recall a case where a man who had signed a note wherein he promised *not* to pay it, the "not" being obviously put in for a fraudulent purpose, was held obliged to pay it, because he really owed it.

I have known an instance where a man who had signed an agreement

in pencil, permitted his daughter to trace over the signature with ink. The signature was held to be valid.

Another important signature fact is that an attorney, if he has authority of the right character, may sign the name of his principal without expressing that he has so done under a power of attorney or by procuration.

This practice is not one to be recommended, since it leads to confusion in the matter of discriminating regarding signatures.

A bank was at one time in the habit of receiving for collection the cotton drafts of a certain Southern dealer. Drawees found that these individual drafts varied in the character of the signature of the drawer and hesitated to honor them. The bank finally discovered that this drawer, who was an illiterate man, employed other men to sign his name on notes and drafts, under powers not requiring that their agency should be expressed in the signature.

A MARK AS GOOD AS A NAME.

Says Blackstone: "The method of the Saxons was for such as could write to inscribe their names, and whether they could write or not, to affix the sign of the cross; which custom our illiterate vulgar do, for the most part, this day keep up, by signing a cross for their mark when unable to write their names."

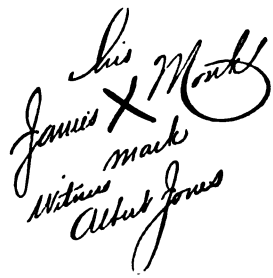
Checks are endorsed, notes are signed, dividends are receipted for, and all kinds of vouchers given and documents executed by what may be termed the signature of a mark.

Although many banks and bankers take the ground that special guarantees are required for endorsements by attorney and procuration, no one well informed in this regard will claim that there is any need for a special guarantee of an endorsement by mark.

In common and statute law and by legal decisions and business customs, a formally executed signature by mark is recognized as just as binding and as regular as a clearly written and acknowledged signature. The law fully prescribes the form in which the signature by mark shall be executed, and tradition and custom have united in agreeing upon its general style. Where a signature by mark is to be made and accepted, some person who can write records the name of the party who is seeking to give his sign-manual. Then a mark is made in the middle of the name by the would-be signer. If he is incapacitated from even making a simple mark he may touch or hold the top of the pen as the mark is being made for him.

As regards the mark itself, there are no rigid rules governing its style or shape. It may be in the form of the rude cross of the Saxon signer or it may be little more than the thumb mark of the middle ages. Anything that signifies a signature will pass if witnessed, for the law demands that a mark shall always be witnessed. To make this matter perfectly clear a form is here given showing an endorsement by mark, as made on the back of a check that had been drawn payable

to the order of a party who, for some reason or other, had to make his witness mark:



The proportion of persons doing business with our banks who cannot make a written signature is small, yet there are few bankers who have not had, at one time or another, to help along through this mark-making some collector of a dividend or indorser of a check.

The plan of getting up a signature by mark came from England, and it is quite an institution there. On one occasion about half the agricultural laborers in an average rural district signed a political petition by their marks.

Notwithstanding the good bank authorization given this style of "writing" it is by no means a form of penmanship to be recommended. No person who is not physically disqualified from using a pen, should make a "mark" in this country of free evening schools for adults.

IMPORTANT AND VALUABLE SIGNATURES.

In another place has been described the use of the Paying-Teller's common signature book—the index reference volume in which is recorded the signatures of all regular depositors, including, in cases of check-drawing firms with partners, the autograph of each individual member of the concern.

There is another class of signatures that might well be included in this book. I refer to the signatures of the Cashiers and Presidents of all the banks in the town in which the institution is located and the signatures of the bankers with whom it is constantly dealing.

From time to time, Assistant Cashiers are appointed in these near-by banks whose signatures are liable to crop out spasmodically on certifications and Cashier's checks. When these Assistant Cashiers are appointed, the banks commissioning them send to their correspondents a circular announcing the appointment and containing the new signature. These circulars should be carefully preserved in the Paying-Teller's signature book, so that he may not be forced to rely solely on his memory when the signatures in question turn up, and that the deputies in his department, who do his work in his absence, may not have to send around to banks to enquire whether such and such a man, signing as Assistant Cashier, is a duly authorized signer for the bank.

There is still a third set of signatures in which the bank takes an

interest and of which, what we may call standard specimens, should be readily accessible. In buying notes and acceptances of dealers and brokers in paper banks have, in many instances, no positive means of knowing whether or not the names on the paper are genuine. In this matter they are often obliged to rely solely upon the generally satisfactory appearance of the notes or bills, and the good repute of the parties offering the paper for sale. But, in many cases, or, at least, in some cases, as I have known from actual experience in the premises, bank managers would be glad to have some handy opportunity of corroborating their impressions in this matter of the signatures of the paper they are buying, and the men they are dealing with.

The difficulty of judging in this matter of signatures is, of course, complicated by the facts that the signatures of many houses are often made by different members of the concern, and that the taking in of new partners and withdrawal of old ones, leads also to changes in their sign manual; so that a memory of what had been the usual signature of a firm might not be of the least service when confronted by a signature made by some recently admitted member of the house. While it might not be practicable to have every bank equip itself with full sets of so extensive a line of signatures as this would necessarily be, yet I believe it would be quite possible and a very good idea to have the signatures of leading houses, whose names are liable to be often afloat upon promises to pay, a matter of central record. Could there not be, for example, in a city like New York, some central point like its Clearing House or Chamber of Commerce, where a book of signatures might be kept in careful custody, in which book there should be an indexed list of the signatures which we have described as belonging to the class most liable to be often in request for examination and comparison?

By a little care and persistence on the part of the banks it would soon become a custom for business houses on starting to send their authorized signatures to this point of inquiry, and to continue to send there changes in their styles of signing, as they from time to time took place.

And here might also well be kept proofs of authority to sign by attorneyship, and procuration, existing among these leading business houses.

Bank managers are continually being annoyed and delayed by the claims of individuals to sign in these last-named capacities, when these managers have not at their immediate command the means of verifying the correctness of the proffered signatures.

HOW DO THEY STAND?

There is no question more familiar to the ears of the banker than this simple, expressive and most direct inquiry. There are times when, and circumstances under which, it is his duty to endeavor to respond, to the best of his ability, to questions of this character; there

are also occasions when it is not necessary for him to make any great exertions to reply to them.

The manager of a bank, who receives from valued correspondents and depositors requests to "enquire up" a house, considers it a part of his legitimate business as a banker to answer such requests as fully and as promptly as possible. But it is neither his duty nor within his province, to endeavor to enlighten every wandering paper buyer who strays within his bank in search of a little information regarding the standing of some paper which he is hesitating whether to purchase or not, and about which he has already enquired in many quarters. He is especially unwise to attempt to volunteer information in the premises when the enquirer, to whom he is under no business obligations, has legitimate opportunities of his own for knowing just as much about the notes or acceptances in question as any one else.

Discussion of credits in banking circles is sometimes very delicate business. Particularly is this the case when the concerns under consideration are makers of a large amount of paper, and doing such a broad business that any estimate of their standing must be based more upon instinct—individual impression and knowledge of them of the most general character—than upon a special and accurate acquaintance with the real condition of the houses. Cases coming within this category are vastly more common in these days of expanded credits and immense concentrations of business than they were in years past.

Regarding some of the houses which give the most paper and are the most enquired about by everybody, it may be said that the verdict upon their standing by the most experienced of bankers in the vicinity amounts to little more than an individual opinion, based upon the most uncertain knowledge. It is neither wise nor safe for a banker to pass along such opinions unless into the ears of those with whom he has the most confidential business relations.

This matter in many cases must be left to rest in about this way: To the enquiry of casual investigators of credits, who have no claims for any special assistance in the work of discriminating in their purchase of paper, the banker must often only reply that he thinks the paper stands well, but that he really does not know more about it, and has no means of knowing more about it, than the enquirer. And he can make such a reply in good faith, even though he may be himself hesitating to take the very paper in question because he feels he does not know enough about it, and under those circumstances is getting an impression that he does not want more. For that is the very point I wish particularly noticed, that such *impressions* or instincts, while they may be made a basis of action on the part of their possessor, are not to be carelessly passed over to others.

DISCOUNTS FOR SHAREHOLDERS.

One provision of the National Bank Act is as follows: "No bank shall loan or discount on the security of shares in its own capital stock

unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith." When shares are taken under the contingency last named the Bank Act demands that they be sold within six months. This provision has some points to recommend it, but it is open to serious objections. Every practical banker knows that cases are often coming up where deserving shareholders who are little accustomed to negotiating loans, and seldom in want of bank accommodation, very naturally come to "their bank" (that is, to the bank in which they are old shareholders) with their stock certificates, asking for some temporary advance of money on their shares. In instances of this kind first-class security is offered by parties who seem to have a reasonable claim for loans. They may have no other collaterals to offer, and, unless the bank can introduce them to some other bank where these shares can be legally pledged, such applicants must go away disappointed. As these negotiations are almost always of a moderate size it is possible that a practical way out of the difficulty might be found in an amendment to the Bank Act permitting banks to loan limited sums to any one person upon a pledge of their own shares. The ideas of the original framers of the Bank Act were correct enough in theory. They wished to prevent promoters of banking schemes from having an opportunity of carrying along their unpaid shares in the loans of the banks which issued them.

CAN NATIONAL BANKS ACCEPT TIME DRAFTS?

Some of these banks have been in the habit of so doing, and are doing it at this very time, but the practice is one not to be recommended and not consonant with the principles of sound banking. Our question, however, is not whether it is the best banking, but whether it is or is not illegal and contrary to the provisions of the United States Bank Act. Opinions of the Banking Department at Washington, as given by the Comptrollers of the Currency who have from time to time expressed their views on the question before us, are not necessarily law. The decisions of the Comptrollers in this and other bank matters are in the nature of suggestions and recommendations, and, as far as they are positively in line with the letter of the United States laws under which banks exist, can be strictly enforced, and no further. Banks are supposed to read and study the laws for themselves, and to be directly responsible to the Government for their administration under those laws. They are not governed by the simple opinions of the meaning of those laws, as from time to time promulgated by various Comptrollers of the Currency, but they make their exegesis of them for themselves and govern themselves accordingly. Thus much we have premised, because it is well understood that nearly every Comptroller of the Currency has taken the following view of the question: "It has always been held by this office that National banks have not the right given them by law to take on any obligation for the payment of money in which the element of time exists; in other words,

that National banks are accountable on demand, without notice, for all debts which they can legally assume, and that they cannot legally create any liability not payable on demand." Thus much for the Comptrollers' decisions. But notwithstanding these decisions National banks are, as we have said, accepting by their Presidents or Cashiers, time drafts, and have not been enjoined for so doing simply from the fact that Comptrollers cannot see anything in the Bank Act making the practice illegal. And there is nothing in the Bank Act absolutely prohibiting the acceptance of depositors' time checks upon National banks, yet such a method is certainly not in harmony with the spirit of the National Bank Act or consonant with the generally received ideas of what constitutes good banking, and it is to be hoped that the Act will some day be amended so as to make the practice positively unlawful.

There have been periods when National bank acceptances of the class in question have been hawked about the streets of some of our cities, much to the discredit of the banks which stood upon them as acceptors and the merchants and bankers who were the drawers of the paper. The circulation of this questionable sort of paper has always led to inquiries of the Banking Department at Washington as to its regularity and legality. Although the Comptrollers of the Currency have condemned the issue of vouchers of this description they have not been able to find any positive laws for their suppression. But they have generally suppressed themselves, for both the accepting banks and the time-drawing depositors who have figured upon this class of paper have in most instances made an early entrance into bankruptcy, and the issue of the objectionable "kites" discussed has usually been deemed an indication of the approaching collapse of all concerned in them.

RIGHT TO USE THE TERM "BANK."

Cases are not rare in the various States where single individuals or firms doing business as private, unincorporated concerns, assume the name "bank." Thus, for instance, Robert Smith, located in Red Brook, Dakota, and running a country variety store on a capital of $3,000, may conclude to attach a banking and collection business to his merchandise trade. He assumes the name of Bank of Red Brook, and sends out soliciting letters and circulars so headed, and gets his "bank" registered as such in various lists which are in use by the business community. This method is not in accordance with the spirit of common law, although there may not be in all the States statute laws prohibiting such action. There is an air of false pretense about it which should render it open to condemnation.

In New York, New England and some other States the title "bank" can be lawfully used only by duly incorporated banks which are organized and conducted under the provisions and restrictions of the State banking laws. A State bank, therefore, is one which makes sworn reports of its condition as required and otherwise conforms to

the State law governing it. In certain States there are banks authorized under special charters, general copartnership laws etc., but which make no report of their condition worthy of the name—these cannot rightfully be called State banks.

ACCOMMODATION SIGNATURES.

Presidents' and Cashiers' signatures are often in great request on petitions and recommendations, but these officials should be exceedingly careful in this matter of name-lending, since, after all, their official names are really not their own property, but rather the property of the institutions which employ them, and which have selected them as their managers and given them their banking titles, so they ought to be very discreet when called upon for their indorsement.

When a man signs a petition or recommendation as President or Cashier of this or that bank he really voices the opinion of his bank—something which he has no actual right to do unless he has direct and intelligent authority from his bank to thus sign for it, or is positively sure it would wish him to sign were the signature circumstances known to it, and would fully approve the act.

There is, without doubt, altogether too much freedom exercised by bank managers in the matter of which we are speaking, and it is important that the point should receive notice. Care should also be used in lending the individual name of heads of banks to these documents referred to, since the outside public are quite apt to so closely connect the individual signatures with their official ones, and to incline to view the one just about the same as the other—to think they have the recommendation and influence of a bank behind them when they have only its manager's private sign-manual.

It is so easy for a banker to fling on his name; it is so much in his line; it is often such a polite and accommodating act; it costs little, and is sometimes so hard to refuse. It is for all these reasons in many cases so much easier to do it than not to do it, that it becomes necessary to emphasize the duty of not doing it except when it is in every way prudent and justifiable.

The person who is most careful in this matter—who guards scrupulously the use of his name, and never gives it except after due deliberation and investigation, and where right and duty authorizes it—will find in the end that his name is the one most valued and sought after.

PROPER USE OF BANKING TERMS.

An explanation of a few banking terms—or rather an explanation of the way certain banking terms in frequent use should be applied—may not be out of place:

1. The word *bank*. This is a noun of multitude, and can have pronouns as well as verbs agreeing with it either in the plural or singular number. Yet regard should be had in its use to the import of the term as conveying unity or plurality of ideas. Gilbart lays down the following rules to be observed in the use of the term: "When any

operation or feeling of the mind is ascribed to a bank the verbs and pronouns are placed in the plural, as follows: The Bank of England petitioned against this bill, and were heard by counsel; but *their* representations produced no effect." When reference is made to a bank simply as an institution the term is considered to belong to the singular, as follows: "The Bank of Scotland continued the only bank from the date of *its* establishment in 1695 to 1727." When the rules or habitual acts of a bank are noticed the word belongs to the singular, as, "The Provincial Bank *allows* interest at the rate of 2 per cent." When the word bank is connected with a past participle by means of the neuter verb *to be* it usually belongs to the singular, as, "Suppose a bank *was enabled* to take 6 per cent. on a cash credit instead of 4." When the word bank is preceded by the indefinite article *a* or *an*, by the demonstrative pronoun *this* or *that*, or by the words *each*, *any*, *every one*, it belongs to the singular, as, "Suppose one bank in Scotland made *its* notes payable in Scotland at the place where the notes were issued." When the word bank is introduced in either the singular or the plural number the same number should be preserved throughout the sentence. Hence, the following sentence of Smollett's is inaccurate: "By the same acts the bank *was* required to advance a sum of not exceeding £2,500,000 towards discharging the National debt, if wanted, on condition that *they* should have £5 per cent. for as much as *they* might advance redeemed by Parliament." When the word bank is used in the singular number it is considered as a substantive of the neuter gender, and hence is associated with the relative pronoun *which*; but when used in the plural number it implies the idea of persons and has accordingly the personal relative *who*, as, "The bank with *which* he kept his account *has* stopped payment;" or, "The bank *whose* interests are affected by the proposed measure *have* petitioned against it." McCulloch, in his "Commercial Dictionary," considers a bank to be a lady, for, under an article on banking, he says: "The Bank of Ireland draws on London at 20 days. *She* neither grants cash credit nor allows any interest upon deposits; *she* discounts at the rate of £5 per cent." And it is quite common with English writers to characterize the Bank of England as a lady—an old lady!

Mr. Gilbart, the writer on banking already quoted, takes the ground that, when speaking of the *accepter* of a bill, the word should be spelled in the same way as when speaking of the *accepter* of a present or fee. The Scotch bankers always write this word accepter. Says Gilbart: "We do not say the drawor or the payor; why should we say the *acceptor*?"

2. In regard to another word the question is raised: Should it be written *indorse* or *endorse*. Indorse is derived direct from the Latin *in dorsum*, which means "on the back." *Endorse* comes from the Latin through the French *endosser*. Most legal writers adopt *indorse*.

3. Should *check* or *cheque* be written? This word is derived from

the French *eches*, *chess*. In England chequers placed at the doors of public-houses are intended to represent chess boards, and originally denoted that the game of chess was played in those places. Similar tables were employed in reckoning money, and hence came the expression, "to check on account;" and the Government office, where the accounts were kept, was called the Exchequer. The word cheque is in universal use in England. The word *check* is used in the United States, and this mode of spelling is not likely to be changed in this country.

4. Shall we write *enclose* or *inclose* when we make up letters, in sending away notes, drafts, etc.? Either word is correct, and the writer can consult his own tastes in using them.

A POINT ABOUT USURY UNDER THE NATIONAL BANK ACT.

Time and again the National banks have been sued under existing State usury laws. These various State laws regarding usurious practices are of every hue and character. In some States these statutes are of a very severe type—so strict as to make their violation prove a very costly thing in case of conviction. But in every instance where National banks have been convicted of usury under State statutes an appeal to the United States Supreme Court has resulted in the reversal of the verdicts of the State courts. The present precise status of this usury conflict is this:

Neither by set off nor original action can interest over legal rates paid to a National bank be recovered, except by way of penalty as prescribed by the Act of Congress of June 3, 1864. In a word, no matter what laws against usurious rates may exist in any given State, the National banks in that State, and in all States, can only be successfully proceeded against for usurious practices under what is known as the Interest Penalty Act of the United States Revised Statutes. This Act provides, that usury shall be punished by a forfeiture of twice the amount of interest paid if action is commenced within two years of the time of such usurious practice, and that recovery can be had for the entire amount of interest paid at any time.

CAN NATIONAL BANKS BUY PAPER?

There is no question but that they do, or think they do, almost every day; yet, though this question has often been raised in contests between banks and parties to whom advances upon notes have been made, it is an interesting and important fact, that it has never been passed upon or decided by the United States Supreme Court. This Court has ruled that paper enters a bank loan either by way of a discount or purchase. But, though all purchases of time paper may be termed discounts all discounts are not purchases. Where a bank discounts paper for a broker who does not endorse it, it may be held that the transaction is a purchase. If a bank makes loans to a customer upon his endorsed paper, which in addition to any other

names bears his own endorsement, it may be assumed that the transaction is in the nature of a discount and not of a purchase. But the note which enters the loan of a bank either by way of a discount or purchase is, in either case, subject to usury laws. Whether or not a National bank can buy notes turns, of course, upon the construction of the meaning of the word "negotiate" in that section of the Bank Act which relates to its powers in the matter of making investments. It is there declared that a bank can buy bonds, bullion, etc., and "negotiate" paper.

BANK RESERVES.

There is no question more frequently asked, and none more difficult of a short and easily-understood reply, than the one so often levelled at bank managers, of "just what reserves are you obliged to carry under the National Bank Act, as it to-day exists, after the many amendments it has undergone?"

I propose to explain this reserve matter so clearly that the reader, who remembers what I here record, will not again be obliged to ask the question alluded to. The reply will come from the standpoint of a Boston National bank, and the reserve requirements of National banks in the other reserve cities are the same. Outside the reserve cities a smaller reserve is required and the proportions of cash reserve and funds with reserve agents are different.

A National bank in Boston is squarely required to keep a reserve of 25 per cent. upon its deposits. Before the amendment of the National Bank Act, the same bank would have been obliged to hold also a reserve of 25 per cent. on all its outstanding circulation. The amendment releasing the banks from this circulation reserve is quite generally held by thoughtful and unprejudiced financiers to have been a rather injudicious one. Under the law as it originally stood, the banks were not in the habit of carrying any too much reserve. Under the law as it now stands, they are in danger of running along with altogether too little lawful money.

But the methods of making up this item of deposits upon which the reserve is to be maintained is what few outside of a bank seem capable of understanding, with the explanations so far received, if we may judge by the very wild conclusions reached when outside attempts at figuring out the reserve conditions are made by writers and talkers, who take the published returns of our banks as a basis for investigation.

This deposit item is made up of the individual deposits of the bank, after deducting from them the total amount of uncollected checks upon other banks which are to be charged in through the next morning's clearing, and which, in the published returns of the banks, are denominated exchanges for Clearing-House. There was a time when this deduction was not allowed; but, after a long contest with the Banking Department at Washington, this concession was made,

and fully established by a formal decision of the then Comptroller of the Currency. To these individual deposits must be added the item of dividends unpaid, for we have before us a Comptroller's decision that these unpaid dividends must be viewed in the light of sums passed to the credit of, and belonging to, depositors—in fact, deposits to be called for at any time.

The last feature of the deposit item is, perhaps, the most difficult of explanation, and it is made up of bank balances. A reserve must be kept upon the amounts held by any National bank to the credit of any other banks if this amount is not fully offset by balances due from other National banks, after deducting from that debit sum the amounts counted as reserve in banks which are approved reserved agencies in New York.

And now I finish this topic by explaining how a Boston National bank may make up this 25 per cent reserve:

1st. It may deduct, to begin with, from the required 25 per cent., the 5 per cent. reserve fund kept in Washington for redemption of circulation.

2d. It may keep in New York, in some National bank or banks approved by the Comptroller for its reserve agent, one-half of this 25 per cent. reserve remaining after making the deduction just named.

The balance beyond the authorized or a smaller actual amount held with the reserve agent may be made up as follows: It must consist of legal-tenders in the vaults of the bank, or balances due from the United States payable on demand; or gold coin, standard silver coin, or silver certificates, all of which may be counted as a portion of the lawful money reserve.

There are no restrictions as to the denominations of the legal-tenders required as a reserve, though, by a rule of the Boston Clearing-House, no legal-tenders under the denomination of $20 are receivable in settlement of Clearing-House balances.

QUERY ABOUT MONEY RESERVE.

Can a New York city National bank keep one-half of its lawful money reserve with some other National bank in the same city? The National Bank Act permits this. This is clearly laid down in Section 5195 of that Act. The New York banks have not been in the habit of availing themselves of the privilege thus given. They carry the whole of the 25 per cent. of deposits in lawful money in their own vaults. There is nothing to prevent them, if they so choose, from putting one-half of this 25 per cent. in the hands of some other National bank in New York, where it might be earning some interest. I am perfectly well aware that it is claimed that the Comptroller of the Currency has construed this reserve law, as far as it refers to the point I have in question, differently from the construction I have just given. But law is law, and I hardly see how the Comptroller can claim the right to say that a section of the Bank Act, which is in no way obscure

is not to be read and understood according to its letter. The banks have the law before them for their guide. Comptrollers' decisions are not United States law except so far as they are entirely in harmony with the United States statutes.

It may be said that the reserve agent of a National bank must, in order to be acceptable, have the approval of the Comptroller. This is law surely; yet it was thus enacted to help to secure for the National banks sound places for the deposit of a portion of their reserve. It can hardly be imagined that a Comptroller would disapprove of a selected reserve agent on any other ground than a want of confidence in the bank thus selected. For illustration: If, according to the provision of the National Bank Act, the Importers & Traders' National Bank, of New York, should decide to put one-half of its reserve in the National Bank of Commerce, New York, would any Comptroller refuse to approve such a reserve agent? If he refused to give his approval on the ground that the bank selected was unsafe as a reserve agent such a refusal would, of course, seem absurd. If he refused because he held that the selection in question was illegal, an appeal to the letter of the law itself ought to settle the matter very quickly in favor of the action of the New York bank. In case of a dispute a recourse would very naturally be had to the Supreme Court, and not to Comptrollers' decisions.

Some person, writing upon the point we have in hand, has said that it appears to him that the carrying out of this idea of a New York National bank keeping one-half of its reserve in another New York National bank would simply result in a general exchange of reserves, without profit; or, as he exactly puts it, "more book-keeping and no profit." To make clear the incorrectness of this last statement let me give a simple practical illustration. Supposing there were but two National banks in New York city, and these were the First National and the Second National Banks, each with deposits of $12,000,000. Under the law they would each be required to hold a reserve of $3,000,000. Let the First National Bank, as the law allows, deposit one-half of its $3,000,000 in the Second National Bank, and the Second National Bank one-half of its $3,000,000 in the First National Bank, each receiving 2 per cent. interest upon the $1,500,000 named, and each having, also, $1,500,000 more to loan, less reserve held upon it, at 3 or or 4 per cent., or whatever higher rates it might obtain. Is it not clear to see that each bank would make more money than it would if it kept its whole $3,000,000 reserve idle in its vaults?

In discussing this reserve question we have nothing to say about the wisdom of a law which permits such a shifting about of reserves as described. We do not see anything more absurd in a New York bank keeping one-half its reserve in another New York bank, than there is in a bank in Boston being allowed by law to keep one-half of its reserve in a bank in New York. The question very naturally arises, "Why

does this last-named provision of the Bank Act exist? What is the Boston reserve kept in New York for?" The Boston bank is satisfied with the arrangement, because it gets interest upon money that would otherwise be idle. In the true sense of the word, this New York balance is much less a "reserve" for the Boston bank than it would be if it was loaned on call in Boston upon pledge of United States bonds or equally solid security.

In Boston, when New York funds are heavy, selling at a large discount, as they often do, in close times, it seems a far cry to Wall Street.

In some instances, is it not a fact that this very money which the Bank Act calls a reserve of the Boston banks is loaned out on Wall Street upon pledge of securities not quite as solid as Governments?

BANKING WITHOUT LEGAL-TENDER RESERVES.

Since the abolition of the law requiring a reserve upon the circulation of National banks, these institutions have been able to slide along, with very small stocks of legal-tenders. I give an illustration of what might readily occur:

Banks in certain large cities specified in the Act must keep a reserve of 25 per cent. of their deposits, but for banks outside of these cities the requirement for reserve is only 15 per cent. of the deposits—two-fifths of this to be in the shape of legal-tenders in their own vaults, and three-fifths in that of bank balances in redeeming cities. And from this 15 per cent. they may deduct the 5 per cent. redemption fund on deposit at Washington.

Suppose the circulation of such a bank to be $200,000, its 5 per cent. redemption fund in Washington would amount to $10,000. Then, provided it has a rather small line of deposits, say $60,000, it may count its required reserve at 15 per cent. of that, or $9,000. But, from this, according to the Comptroller's decision, may be deducted, if we may use the expression under the circumstances, the $10,000 on deposit in Washington. It will thus be seen that a bank of the period under the present laws may comply with the *legal* reserve requirements by holding less than nothing in the till.

WOMEN OF BUSINESS.

Men of business, often those of comparatively limited experience, are sometimes heard speaking unfavorably of woman's capacity for doing business, particularly that of a general financial character or in the line of banking. A somewhat extended period of practice and observation in business, especially in the business of banking and finance, will lead any sensible person to take an exception to these remarks. The great majority of women have been given few opportunities to show what they could do in managing financial matters. The average woman of the period has only a spending acquaintance with money. She is furnished with more or less of it, but is not

expected to understand how it is gained or managed. In those exceptional cases where women have been called upon to assume wider financial responsibilities they have shown skill and ability in their management. There are many women who are to-day serving faithfully as Treasurers of Savings banks, bank Directors, etc., and there are numerous instances where women are doing the entire work, as far as business details are concerned, in small banks in the interior. The time is undoubtedly approaching when there will be a more common employment of women in our National, State and Savings banks.

There are various classes of work to be done in banks for which women have special natural qualifications. Among these are the business of handling paper money, assorting checks, folding and mailing letters and cutting and trimming new bank-notes.

The growing practice of using type-writers and stenographers in banking is giving to women a very useful sphere in banks. The wonderful facility with which an expert type-writer lady will manipulate this piano-like aid to correspondence proves to many a banker her special fitness for playing upon this invaluable help. What may be termed an extremely attractive combination in the work of "talking upon paper" in a bank or general business office is that of a union of the services of a stenographer and type-writer. The hard pressed bank manager or merchant can drive with ease through considerable writing by dictating to a stenographer who writes the short-hand into type on the type-writer, and women will do for both, because they can work as well at stenography as type-writing.

In discussing the comparative value of male and female help in banks and other positions of responsibility the suggestion has been made that women are less honest than men—more likely to commit breaches of trust than the opposite sex. This idea was recently advanced by a lady who had considerable intimacy with the girls, having been for many years at the head of a seminary for young ladies. She gave it as her decided opinion that girls were more given to petty thieving than boys. Possibly her opinion may have had less value from the fact that she never had much to do with boys. There is not a doubt that this verdict of a woman on women is an unjust one.

In the great money establishment at Washington is a small army of girls who have assorted bills for years. Under former Treasurers men had been employed to do this work. The Treasurer of the United States says, that losses have been far less under the present system of employing female help in assorting than when men did the work. He thought the young women had proved themselves more honest than the young men. Comparisons in this matter are not particularly attractive, but the remark of the lady above quoted has provoked them.

As to the comparative value of women as financial administrators many persons claim that their status has been emphatically settled by

the maladministration and financial diversion of bankers like Mrs. Howe. Argument like this overlooks the fact that there have been male Mrs. Howes in abundance from the days of the South Sea bubble down to the more modern Pacific Bank and Grant & Ward failures.

PRINCIPAL VERSUS INTEREST.

He was a man of large experience, having been in active business for more than sixty years. By industry, sagacity, and a commendable economy, he had accumulated one of the largest properties in the place where he lived. While he lingered with me, to draw a dividend on the large block of shares which he held, he gave me a bit of advice —a specimen of the financial philosophy upon which he said he had acted throughout his business career. It was this:

First, look out for your principal. Make as sure as you possibly can, in this world of uncertainties, of its absolute safety, and then give attention to the matter of securing, as an income from this principal, all the interest you can honorably and honestly.

He remarked, further, that his observation had been that most men thought more of interest than of principal—bestowed their main endeavors on getting high rates, and thus neglected a proper care and oversight over the main sum in hand.

The bulk of the disastrous financial failures were, in his opinion, the outcome of this unwise mode of engineering money matters.

This man was a pillar of strength in the wide financial circle in which he had so long lived and moved, and his sagacious words would here have additional weight were I to mention his name.

There are few bankers of wide experience who will not, at least partially, endorse his testimony. And there are few who will not flatly testify that the chronic reluctance of men who have acquired money to let it lie idle—unproductive of interest, for even a short time—has been one of the most fruitful sources of losses and final disaster.

Periods of low rates for money are sure to foster wild speculations. But the really sagacious man will not be apt to forget, that when money is cheap, investments are apt to be dear. He will often choose to let his balances lie idle, for long periods, rather than purchase shares, bonds, etc., which have been inflated by the plethora of money, realizing, what so many are apt to forget, that even slight declines in the quotations of his purchases will lay over—wipe out—all the gain which was hoped for by keeping the money busy and the income continuous.

There are times when the most profitable investment is that of an idle, safe balance at the bank, which, though not accumulating any interest, is at the immediate command of its owner.

"A LONG FIRM."

This name cannot be very familiar to my readers, though many of them will undoubtedly exclaim, before I get through with what I

propose to say under this heading, that they and misery know well what a long firm really is. The title is of English origin. Those having to deal with a so-called long firm are pretty sure to find out to their cost, before they are done with it, that it is a very short as well as a very long firm.

The origin of the name and class is as follows:

Some years ago there began to spring up in London, Liverpool, and other English cities a set of self-styled commission houses, whose partners were adepts in swindling, and who were as destitute of means as they were of principle. These concerns were generally manned by a large number of partners, who spread themselves abroad quite widely. Hence they were early dubbed by those who were victimized by them by the name of long firms, which title will be better understood and appreciated when I have more fully described their character and methods of operation. As the scoundrels have been quite successful in engrafting themselves on our leading cities, I might as well give the description a fresh, home flavor.

A house proposing to be one of the class in question will generally be found to be made up of men who have suddenly turned up in a given city, claiming to have been doing business "somewhere else," and that somewhere else so conveniently distant as to render enquiries about them slow and difficult. They compliment their latest location by saying they are there because they believe the place has excellent business facilities, and parade lots of references, which generally turn out to be of the most illusive and intangible character.

The concern begins business by hiring a store in a good location. If they take but one floor, or even a single room on a floor, they emblazon upon their letter-heads, circulars and bills a flattering picture of the whole building, well ornamented with their names, thus conveying to unwary consignors the impression that they are a very big concern, occupying a very big store. This humbugging stationery they manage to scatter widely among producers and shippers at a very early date, hoping thereby to influence consignments. To add to their pretensions they manage to induce some highly respectable bank to permit them to open an account, and, by various kiting processes, and frequent overdrafts, succeed in doing quite a "banking business," very likely talking quite familiarly of "our bank," when they are out of hearing of it, and sometimes even going so far as to print its name, entirely without permission, among their references.

By the use of such methods and machinery as we have described the "long firm," which has really neither character, capital, credit nor facilities for selling goods at a fair price, and which is almost sure to swindle any consignor who trusts them, often secures many consignments from interior farmers, manufacturers and dealers.

When it has gone the full length of its rope in one city, it takes a long jump, and comes up smiling, under a new firm name, in another

city. This exposure of the dark ways of the long firms is the best warning against them I can place on record.

A word or two about some of the details of their rascally business may be interesting and instructive.

A favorite dodge of theirs is to agree to pay a certain price for a lot of butter, cheese, or something of the sort, a sample of which has been sent them by the shipper, and then "beat" the shipper out of a part of his due by swearing the goods are not up to the sample. A heavy and most unjust reduction is thus often submitted to, rather than have a quarrel, or have the goods thrown back.

Another ruse of the cheats is to make heavy claims for rebate through a cooked-up pretense of short weight.

But their best hold is to get possession of the goods somehow or other, sell them under market price, burst up, and clear off to some new field for a commission business.

The only advice in conclusion is, that it behooves all banks, shippers, dealers—all decent business men—to look out sharp for the class of swindlers I have described—a class seemingly on the increase.

PUBLISHED RATES FOR MONEY.

There is nothing more confusing to the mind of the average money borrower, than the reports of rates of interest upon call and time loans which are currently made in the money articles of the commercial newspaper to which he pins his faith. A few explanations of the difficulties he encounters, as he endeavors to get at the financial situation through an inspection of a daily journal's monetary articles written by one who has long been familiar with the work of getting up the articles in question, may be of value.

When the financial writer quotes rates for discount of paper, he usually has in view paper of the very choicest class, of the standing of which there can be no question whatever, and which will be held by parties having first-class facilities for borrowing.

The notes which the average business man offers his bank are not discounted unless it is believed that they will be paid, yet they may not exactly belong to the class of paper just referred to, but are rather those types of promises-to-pay so-often alluded to in banking circles as being a fair business risk, and which are quite sure of being charged 1 or 2 per cent. for discount above the iron-clad quotation of the money article. These differences, between real and nominal rates for money, are more marked in the London money market than in this country. Thus, I have noticed that London merchants in good standing were steadily paying 4 and 5 per cent., for their bank discounts, when the London "Times" was quoting 2½ per cent. as the Bank of England rate for 60 days' loans.

The same apparent inconsistencies exist in the market for mortgages. The borrower reads in a paper that money upon pledges of real estate can be obtained for terms of years at 4 per cent., yet he

may at the same time find himself paying 5 and 6 per cent. for a loan for three years upon the very house he is living in.

In quotations for advances of this description, the figures in the newspaper have been based upon operations of great magnitude made by Savings banks and trustees, where the property pledged has been of the choicest character and the advances made upon it perhaps not over 40 per cent. of its assessed value.

In the call-loan business there are apparent quotation discrepancies which need a word or two of explanation. Call loans between banks are often quoted at 3 per cent., when the individual borrower, upon first-class securities, is called upon to pay his bank 4 or 5 per cent. for demand money. The first-named between-bank call-loans are of large round sums of minute money that is put out at one day with the full understanding that it is liable to be swept in the next. The merchant who borrows call-money from a bank expects to call and pay it when it becomes convenient to do so, and some borrowers suppose this is why these loans are described as "call-money."

There is one other point relative to money negotiations to be alluded to. The business man who reads in a morning paper that money is a perfect drug, and that rates were never so low, often finds it hard to effect a discount, even at rates far above those he has seen quoted in a journal's money article, simply because of the well-known fact that when business is very much depressed and money exceedingly sluggish, banks are of necessity obliged to exercise the utmost care in discriminating in the matter of credits.

It may be asked very naturally why writers of money articles do not give these varying quotations for varying types of loans, discounts and mortgages. The answer to this can be given by saying that no well-managed bank or savings institution is in the habit of taking on second-class paper or second-class mortgages, nor are borrowers willing to concede that they are in the habit of offering to banks either second-class notes or second-class real estate security.

But there are in our money markets various sorts of nominally first-class paper and many varieties of number one mortgages. The shadings of rates accompanying negotiations of these different types of vouchers will easily be discovered by the borrowers who attempt to make them. But they cannot readily be classified in any brief monetary review.

SAFETY OF LEGITIMATE BANKING.

Where banks are managed with care and ability, and confine themselves strictly to the legitimate business of banking, they not unfrequently run along for many years without losing a single dollar from their loans.

Under the old State system of banking, when the banking business was conducted in a manner somewhat different from what it is to-day, it was not unusual for a bank to move along for fifteen or

twenty years without being called upon to charge off a single dollar of bad debts.

Instances of this class have come under my personal observation.

Banks which have made such a showing as this have, of course, had at their head managers of the most faithful and skillful character. In illustration of this point, let me give a case from real life in banking which at this moment comes to mind. There is no need of mentioning names; and, besides, this case has so many parallels that it may fit well in instances not immediately in view:

The President of the bank had been with it from youth. He had served in all its offices from that of messenger upward. For forty years he had been, while acting as its Cashier and President, its principal manager. In all that time the bank had never paid less than 8 per cent. in annual dividends; had often paid more; had never passed a single semi-annual dividend. And, since the bank's reorganization as a National bank, some twenty years ago, it has accumulated a surplus one-half as large as its capital.

THE POWER OF INTEREST.

Few persons, even among those who, like bankers are continually up to their eyes in interest calculations, fully realize the rapidity with which interest grows—accumulates—or fairly gauge its power. Men who give notes are usually men of years and experience. Yet those most accustomed to the issue of their time promises to pay, are quite ready to testify that there is no better reminder of the rapidity with which time flies over the heads of busy men than that which comes to them when they sign a note of hand for sixty days. And interest which grows nights and days and Sundays is accumulating as steadily as time flies, where the promises bear this burden of rates.

Not long ago a Savings bank book, of not very ancient date, say about forty years old, was passed around among a circle of experienced bankers as a curiosity. It bore one single deposit of ten dollars made in 1840 in one of our best Savings banks. The original deposit of ten dollars had not been disturbed. It had rolled itself up to the astonishing sum of $75 or thereabouts.

Between 1820 and 1830, a man put one hundred dollars into a Savings bank near Boston. In a week he drew it out and surrendered his pass-book. By an error his account was not charged with the withdrawal. And one day the bank, which had in all these years between 1820 and 1884, been carrying along the hundred dollars, adding to it each six months its interest, discovered the error they had made. They stumbled on the old, cancelled pass-book. The hundred had grown to twelve hundred, which was at once covered into the bank.

CARE OF CERTIFICATES OF STOCK.

Banks should take the very best care of all stock certificates that come into their hands—not only the certificates of shares of their

own stock, but stock certificates of all sorts. It is one of the very first principles in making transfers of shares on the books of a corporation, and issuing new certificates, to demand and take possession of the old certificates.

In making a transfer of stock on one occasion, the intelligent lawyer who happened to be acting as attorney in the transfer told me, as he passed me over the old certificate, a little incident directly illustrating this point of the necessity of taking the best care of a class of property which is so often deemed valueless except in the hands of its rightful owners. He had been calling upon a client of his, who was a prisoner in jail for stealing a parcel of property, a portion of which was stock certificates. He asked the prisoner why in the world he took those share certificates, when he knew they could be of no earthly use to him, since no corporation would transfer them, except for their rightful owner, and that the loser's advertisements would at once put the corporations on their guard. The rogue replied that he found that there were parties in New York who made a practice of buying such stolen certificates, at a cheap price, which certificates they were in the habit of selling to very ignorant investors, who could be easily convinced, by the affixing of some sort of a transfer on their backs, that, in buying the certificates, they really got good property.

This sort of fraudulent traffic naturally reminds one of the well-known fact that there are in our cities parties who buy and sell perfectly worthless railroad and miscellaneous bonds. This traffic is based upon the curious fact that there is a steady demand for these bonds to make up assets in cases of scandalous failures.

NOVEL METHOD OF IDENTIFICATION.

Good banking often requires payment of checks on identification by signatures. The California Bank, of San Francisco, advises Doe & Co., of Baltimore, that it has drawn a check on them for one thousand dollars in favor of Robert Smith. The payee being acquainted with no one in Baltimore, the bank takes his signature and forwards it with the advice of the check to Doe & Co., thus leading them to infer that they are to accept a comparison of signatures as a method of identifying the payee. When the payee presents himself he is identified in this manner if other circumstances tend to favor his case—that is, if the man seems all right and there is nothing to excite suspicion. There is another method of procedure of a somewhat novel type, adopted by some bankers when a payee desires to travel with his check into a strange country and wishes to be sure of collecting it when he gets there. In order to place an obstacle in the way of fraud, Cashiers have sometimes given the payee an oral password which he could use as an identification or as the complement of an identification by signature—in the latter case both password and signature being communicated to the drawee in the letter of advice.

In the transaction of business by Letter-of-Credit methods, identifi-

cation by signature becomes very necessary and important. There may be some risk in the operation, yet it is what should be considered a fair business risk and proper under certain circumstances. The password idea would, however, lessen the risk and should work just as well with a Letter of Credit as with a check.

WORSE THAN A DEFAULTER.

There was very serious trouble in the ——— Bank. It was discovered that the Receiving-Teller and Book-keeper, who appeared to have worked together dishonestly for a long time, had fled, leaving behind them a defalcation of stupendous size for those times, amounting to more than two hundred thousand dollars. The bank was under the management of an able Board of Directors, and, as its business was very extensive, it had a large corps of officers. The excitement in the management of the bank, among its clerks, and in the community, on discovering the defalcation, was very great. Not long after this explosion, and while the Directors were still delving into the ruin it had left in its track, the very kind-hearted President of the suffering institution called into his private room the youngest clerk in his bank, a young man about 21, who was a general assistant on a salary of $500. The old gentleman and the junior clerk sat down before an open fire in the little room. The President then took from his pocket a letter, and in a pleasant, fatherly manner read it to the clerk. Its contents were to the effect that the junior officer knew all about the defalcation while it was being worked up, and had, in fact, been a partner in it, participating in its proceeds. The President, having read this missive, passed it over to the clerk, who saw at once that this production, which was anonymous and written in a disguised hand, was in writing familiar to him. He told the President that the letter was evidently written by an acquaintance of his, who was a clerk in another bank on the street, and who had had a falling out with him in some matter connected with an election in a society to which they both belonged, and that he hoped he had no need of saying that its statements were false in every particular. The good President did not seem to need any assurance of this, for he tore the letter in small pieces and threw them into the fire, saying no one but himself had seen the letter and no one should ever hear more of it. The young clerk remained at that bank till he reached the highest position in it. The writer of the anonymous letter soon after became a defaulter to a large amount and fled the country.

SYSTEM AND ORDER.

A manager's desk should be arranged in a neat and orderly manner. All papers and documents, not in immediate use, should be filed away in their proper places. Nothing tends more directly to confusion and delay in the administration of any department than a habit of keeping the desk lumbered with a mass of old papers, circulars and documents of all sorts. As soon as possible all matters

requiring attention should be attended to, and the papers related thereto passed over to the proper officers, or into the proper files, and the deck cleared, as it were, for any fresh action.

Without doubt there are bankers who have an idea that a crowded and overflowing desk indicates a vast mass of business on hand and being transacted, but, to the experienced, such signs show a want of a proper executive faculty and the absence of prompt and orderly ways of doing things.

The kings of business in this world—the men who are the moving powers behind transactions, mercantile and financial, of the most extensive and complicated character—are often men who, from a surface view, appear the least busy and the best prepared to take direct hold of any matter really deserving their immediate attention.

I have in mind, at this moment, one of the strongest and most successful business men, whose operations are of the most extensive character, who has all his matters, both those of detail and those of the widest scope, so well in hand that, when in the midst of business, he never seems in a hurry—never seems pressed by anything. On his desk are but a few papers. Those few will be rapidly attended to, to give place to the next things demanding his notice.

CIVILITY TO DEPOSITORS.

Some bank officers in the discharge of their daily duties are brought more than others in contact with the customers of the bank. But each individual clerk of any bank is almost daily called upon to represent his institution in a more or less prominent way in dealing with depositors and general patrons. There is nothing more important than the practice upon the part of bank officers of courtesy and propriety in all business intercourse. The prosperity of their bank and their own reputation largely depend upon the character of their personal address. Though fully recognizing these facts, it would hardly be fair to recommend to bank managers the adoption of a plan for maintaining suitable politeness and civility in their corps of officers which has been adopted by one enterprising and most successful bank. The bank in question has pasted upon its pass-books the following notice: "Depositors will please report to the Cashier any want of civility upon the part of the Tellers, etc., of this bank" A business man whose attention was called to this item of financial literature rather emphatically characterized it as being of the horse-car description. Without wishing to condemn this attempt to place matters in good trim in the sphere of duties thus supervised, the opinion must be expressed that this printed request is one of the things that should be left off the covers of bank pass-books.

DANIEL WEBSTER ON STATE STREET.

An office view has been given of Daniel Webster, showing him as he appeared when the bank messenger called upon him to collect a

draft. Here is a recollection of Mr. Webster' on 'Change—as he appeared during one of his infrequent visits to State street :

In appearance, general style and carriage Mr. Webster was one of the most remarkable men ever seen on that street. And he was about the only man whom the people on 'Change seemed anxious to get a good look at when he came among them. When he made his appearance on State street the word would quickly spread that Mr. Webster was coming, and all would want to see him. His presence was majestic and entirely unlike that of most men. He seemed to move among the crowd as if apart from it and not of it—as one belonging to some other order of existence. He would pass along with slow and dignified step, his hat drawn low over his broad forehead and his deep-set eyes looking out from under his shaggy eye-brows in a kind of dreamy way as if their owner found little that was congenial in the moving panorama about him. His commanding form and impressive manner would cause the most indifferent stranger to turn at once to look at him and ask the nearest person who he was.

BREASTING A PANIC.

The old gentleman had been for many years the President of a leading Boston bank. In his old age he was fond of telling a story of his experience with a panic and a panic-stricken man. It happened at least fifty years ago, at a time when merchants daily congregated on 'Change in the open street at 2 o'clock or thereabouts—met there to look at each other, make trades and talk over business affairs. It was a time of prostration in business. Everybody was depressed over the situation. Failures were frequent. The credit of the strongest houses was shaken. The banks had become deeply alarmed, and hardly knew whom to trust. In the midst of this tremendous financial excitement and distress one of the best known merchants in the city came to the bank President we have named and told him that he believed he should have to fail to-morrow—that he had notes then due which he thought he should have to let go to protest. The President knew his man quite well—knew his financial condition and prospects—so he unhesitatingly gave him this advice : He told him he could pull through easily enough if he would only keep up his courage and show a bold front. He explained to him that he was a marked man in the business community, who was owing considerable money, which he might be suddenly called upon to pay if his creditors lost confidence in him. The bank President's simple recommendation was that he go on 'Change every day regularly and promptly, and walk up and down there in the most cheery and indifferent manner—make himself conspicuous as a happy and hopeful man as long as the panic continued. The alarmed merchant was a man of ability and real financial stability. By following the course advised he passed unscathed through the fire of the financial trial and also helped others along. In the midst of the depression he was pointed out as a tower of

financial strength. Only two men knew how near he came to failing—the President of the bank and himself.

DEPOSIT EARLY.

It is a good custom for persons who keep bank accounts, or who have any occasion to transact business with banks, to do all their business with their banks as early in the day as possible. If notes are to be paid, pay them early; if checks are to be drawn, draw them early; and, if deposits are to be made, make them early.

Such a way of attending to banking is altogether more comfortable and easy for the dealer. In his visits to the bank, in the first hours of the day, he will invariably find the bank officers better situated to attend to all his wants in the promptest and most cheerful manner, than he will later on when the rush and tear of traffic has wearied and harassed them, and when their counters are thronged by the chronic laggards—customers who would be the last if the bank hours extended into midnight.

A proper regard for, and appreciation of, bank officers and their duties, should also lead customers to attend to their daily banking at as early an hour as they conveniently can.

The counter work of a bank is often but the beginning of the work which has daily to be done by bank officers, and the nominal business hours of the bank are often no gauge of the time of labor of those employed there.

The hardest and longest labor has sometimes to be performed after the dealings with customers are at an end—labor in sorting, counting, corresponding, recording, settling of cash, and settling of books; and those customers of a bank who, by their promptness, give the bank officers an early start on this kind of work do much towards helping them along with their daily work.

SECURITY FOR NATIONAL BANK DEPOSITS.

The plan suggested, a few years ago, that the United States Government should set aside as security for deposits the money received from the banks as tax on circulation, together with the profits accruing to the Treasury from circulation which never comes home for redemption, is one which will probably secure attention. Depositors in National banks have lost, since the National system started, some $17,000,000 or $18,000,000 by failures of banks. Here are three facts of interest:

1. The taxes paid each year to the Government on circulation have been much more in every instance than the losses for the corresponding year by depositors in National banks.

2. The taxes paid on circulation, since 1865, exceed by more than fifty per cent. the *total* amount of proved claims against insolvent National banks for the same time, so that, if the insolvent National banks had had no assets whatever, this tax would have paid all their depositors and left $19,877,181 in the Treasury, excluding interest.

3. The taxes paid on circulation are more than six times the losses incurred by the public from insolvent National banks, and if these taxes had been applied to the

payment of such losses, as is contemplated by a measure recently brought to the attention of Congress, such losses would have been paid in full, and the fund remaining would amount to $48,832,438, disregarding accumulated interest.

"ULTRA VIRES."

There are few legal phrases more often used in banking than the one which heads this paragraph. Translated, it reads, of course, "beyond their strength—beyond their powers." Many a section of this volume has shown what duties and offices were within, and what not within, the scope of banks and the various officers of banks. And the lawsuits which have taken place over these matters have been of the most varied and important character. The latest case coming under immediate observation illustrates in an amusing manner the contests which may arise on such a point:

The bank had made a bad failure—liabilities large and assets small. The President and Cashier attempted to sell the safe belonging to the bank to raise money to meet the creditor's demands. The point was raised that the power to sell the old safe did not inhere in President or Cashier—that only the shareholders could make the sale. The final grave ruling of the high Court, to whom the question was referred, sustained this point by deciding that Presidents and Cashiers have no right, under the circumstances described, to trade off plant.

POWERS OF ATTORNEY WHICH ARE NOT REVOCABLE.

The bank was asked to make a loan upon some registered bonds belonging to a borrower in a distant State. The applicant for the loan sent to the bank a properly drawn and signed note for the amount he wished to borrow and the bonds he was offering as collateral, the latter accompanied by his power of attorney for the execution of their transfer. In considering the matter two points of objection were raised. The first was, that there was nothing to prevent the signer of the power of attorney from issuing another power of the same tenor to some other party, thus rendering the first power of no value. This point was not well taken, since no transfer could be obtained without the possession of the bonds, and these were in the hands of the bank now considering the loan. This point is often raised by comparatively inexperienced negotiators who seem to be unaware of the worthlessness of powers of attorney unaccompanied by the original vouchers—the share certificates, registered bonds, etc., to which the powers may be applied. The other objection raised against the documentary security was as to the value the power would be to the bank in case of the death of the borrower whose signature it bore. This was a point worthy of more serious consideration than the one suggested. The power of attorney tendered was a simple power of transfer of the common type. Whenever powers of attorney confer an interest in the subject matter only and not in the results, and constitute an essential part of a security upon the faith of which money or other thing has been advanced or liability incurred, they are not revocable, even by the death of the

principal, but may be thereafter executed where it can be done without the name of the principal.

In view of the correctness of the legal principles laid down, the bank concluded to ask the applicant for a power of attorney coupled with a conveyance of interest, and here is a copy (see Form 90), of the very satisfactory one which they received that can be used with safety in similar cases :

For value received I hereby sell, transfer and assign to the Essex National Bank eleven thousand dollars ($11,000) registered water bonds of the town of Mansfield, County of Nampden, Md., dated January 1, 1885 being of $500 each, and numbered as follows:

Four bonds, No. 63 to 66, due January 1, 1897.
Nine bonds, No. 68 to 76, due January 1, 1898.
Nine bonds, No. 77 to 85, due January 1, 1899.

and authorize Chas. M. James to make the transfer on the books of said town.

Witness my hand and seal the 10th day of June A. D. 1890.

Witness C. A. Floyd J. M. JORDON. SEAL.

Form 90.

NATIONAL BANKS ASKING FOR AN EXTENSION.

This seems rather an ominous expression. But it does not in this instance, mean anything very disagreeable, as the explanations will show.

The charters of almost all of the National banks were for the term of 20 years, so that many of them have already reached that limit and others are coming to it every month.

An act of Congress of July 12, 1882, provides means for the extension of the corporate existence of the banks. With a few exceptions, the National banks of the country will avail themselves of these measures. I propose to explain in a few words just how they do this. The law in question provides that this renewal can take place any time within two years, that is, previous to the date of the expiration of their old charter. The first action must be taken by the Directors of the bank proposing to extend its life. They must vote to advise the shareholders of their banks to avail themselves of the privilege of extending the corporate existence of their institution by amending its articles of association in accordance with the provision of the extension act I have named. Having passed this vote, the next thing is the issue of a circular notice to every shareholder in the bank, asking consent in writing to the extension amendment named.

These replies will be made by calls at the bank in person, where the necessary papers will be signed, or by sending in powers of attorney authorizing the signatures. In case of Savings banks, and all other corporations, which are shareholders, a copy of vote of the Directors, Trustees, or Finance Committee, authorizing the President or Treasurer to sign, must be filed with the National bank. Executors, administrators, guardians and trustees must also file a certificate of their appointment from the Probate Court.

The powers of attorney used in this extension consent are of the ordinary form, and must be witnessed.

Where the consent of the necessary two-thirds has been obtained, non-consenting shareholders have the right to withdraw and to receive from the extending bank the duly appraised value of the shares. And, if these withdrawing shareholders are not satisfied with the first appraisal provided for by the law, they may appeal to the Comptroller of the Currency for a revision of the appraisal.

The last item of this extension business is an application to the Comptroller for an approval of the adopted extension amendment. This he grants, after his examiner has thoroughly examined the applying bank, and found it "all solid."

It has been mentioned that the Bank Act provides that the National banks can go through these extension movements any time within two years of the date of the expiration of their charters, and it may be asked, when is the wisest time to begin to re-organize? That depends upon circumstances; but it is well to take hold of the matter a little earlier than there seems any real necessity for so doing, on account of unexpected hitches that may turn up. There is always the possibility of delays from the absence, in distant countries, of large shareholders, whose signatures of assent may become a necessity. Then, again, it must always take some little time for corporate shareholders to execute the necessary assent papers. It should also be borne in mind that bank shareholders, of all classes, are apt to be slow in attending to matters of the description in question; and, as in the case where shareholders' meetings, and similar matters are to be attended to, may need a deal of drumming up. Individual banks can judge best their own situation; but not less than three months had better be taken for the extension work, while in many cases six months would be a wiser provision.

But time moves rapidly with busy banks. They must not forget to attend to this business in season; and those banks which can so arrange the business will do well to have the papers ready to present to shareholders when they come for their semi-annual dividends.

CONFIDENCE.

The whole fabric of banking rests upon confidence. Banks and private lenders loan their funds upon promises to pay, about which they can, as a general thing, and from the nature of things, have little really precise and positive information. And, in this connection,

let me say that there are many who have little idea of the extent to which banks are willing to rely upon the apparently honest, frank and open statements of dealers who are borrowers—applicants for loans—regarding their own present financial condition and prospects. The man who wishes for a discount is certainly better acquainted with his own monetary situation than is any outsider; and it is the commonest thing in the world for the managers of a bank, who are considering a loan application, to question the applicant regarding his means and schemes, and to rely largely upon the borrower's own report of his financial standing. Mercantile Agencies, institutions which are exceedingly useful as aids to the banks in the work of discriminating in the matter of credits, know well the value of personal interviews with business men in making up their ratings; and these agencies invariably go to head-quarters, as well as to other quarters, when they are endeavoring to come to a judgment in regard to the means, integrity and general credit value of business men.

Banks which have large lines of paper of a name that is in question, will send for the maker of the paper, in the time of doubt and anxiety, and, after a careful conference with the individual, will, on the strength of the confidence inspired by his own showing, just as like as not conclude to help him along through the pinch which is about him by loaning him more money. There is no experienced banker who cannot recall any number of instances of this sort. And private lenders will, as every one knows—private lenders who have a fondness for investing in time paper—sleep easily on files of notes with single names, in which they steadily keep about all the capital they have, although they can have little positive knowledge of the strength of their makers. They have full confidence in these men, believe what they say about themselves, and have faith in the correctness of that common judgment of the business community which gives their men a high reputation for honesty, and believes in their ability to meet their engagements. All this is very much to the credit of the human race—of human nature.

Banks do not seem to believe in the existence of total depravity, except in occasional individual cases—in instances where men have willfully and persistently made false pretenses, and thereby succeeded in defrauding trusting bank managers by borrowing money which they knew they could never pay, and never intended to pay; or where trusted clerks, in responsible positions, have violated all sense of honor and honesty by stealing the property of unprotected shareholders.

ABSENCE OF CONFIDENCE.

A money—a business—panic is a sudden and serious alarm without sufficient cause. In times of panic all confidence seems to be lost. The deposits of the banks reel and sink because depositors become anxious about the safety of their deposits—lose confidence in the strength and stability of institutions in which they have long trusted.

Under the old State system of banking, circulation was the first to

feel the effects of a wild panic. Bill-holders who had never before doubted the ability of the issuing banks to redeem their notes, would suddenly lose all confidence in this ability, and, as a result, the bank notes would come tearing home for redemption in crushing amounts.

Shrinking resources and distrust, in these periods of panic, combine to prevent the banks from discounting; and causes of precisely the same character lead to increased applications for loans and discounts. The confusion and alarm is deepened by the idle and malicious gossip of the quidnuncs of the street, whose principal occupation is that of reporting financial failures, and rumors of failures, and bruiting gloomy prognostications—prophecies of worse things to come. In such times as these, the best of business men will lose their heads, and the best managed banks make mistakes, under the influence of the excitement in which they are enveloped. Banks, which might just as well as not discount for good customers, will shut their discount sheets, and wait to see how "things are coming out," and customers who have not the slightest need of a loan will press forward to get one, asking, as likely as not, for twice as much money as they have any hope of getting, for they, too, have lost all confidence, and think it best to prepare for the very worst.

These are only a few of the features of a monetary panic through which we pass once in about ten years—periods of fright and disaster to which we look back with wonder that such a general want of confidence could have prevailed.

BANKS AND THE CLERGY.

I have had occasion in these pages to make mention of the financial peculiarities, tastes and leanings of the various classes of depositors and outside customers with which the practical banker is daily brought in contact.

There is a point of interest in these premises to which I again wish to allude. In making comparisons of individual tastes and traits, as shown in banking and financiering, the conclusions reached must be of the most general character. All rules have their exceptions; and when we attempt to describe the business ways of a class, it must be borne in mind that, in each and every class, there are prominent exceptions to the average exponent of that class. There are, for illustration, women who are thorough women of business—scholars who are as shrewd and practical in their ideas regarding trade and finance as if they had been trained to commerce or shop-keeping; and clergymen, the class of whom we are now to say a financial word, who are most competent managers of money matters. But, as a rule, ministers are not strong in this direction. It is not reasonable to expect that they should be so. Their training has, by force of circumstances, been of an unworldly character. In their active life they are, to be sure, brought in close contact with men of business, yet the view they get of them is narrow and one-sided. They move among men who

have met with various degrees of worldly success, yet they are apt to see most of those who have won the prizes in the struggle for material things. These they fall in with when they are out of the harness of business and surrounded by the happy results of their business struggles. At such times there are few opportunities for becoming acquainted with the nature of the strife through which the successful business man has passed as he was making his way to fortune. And the result is apt to be, on the whole, that the average clergyman has an idea that it is a comparatively easy thing for the average business man to make money—to make a good deal more than any minister can by preaching and saving. Thrown thus among the wealthy and successful people of trade, the preacher often becomes over-anxious to accumulate for himself. And, with his half-knowledge of business matters, combined with an undue anxiety after accumulations, he is seldom content with those extremely safe investments which pay low rates of interest. As a result, his savings are often placed in those insecure spots which promise large interest, but end often by wrecking the principal.

The experienced banker who has been thrown much among investment-seeking clergymen must have noticed that they have generally been hard persons to counsel, since they have usually before them the two-fold aim—an aim very difficult to reach—of getting high rates with iron-clad security.

WOMEN AT BANKING.

Men who are fond of making light of the financial abilities of women are expected to tell the following old—very old—story:

Her husband always kept a good balance with his bank—the bank where he simply kept a personal account, for he was not in any business. He was going on a journey which would necessitate his absence for a few weeks. As he turned away from his wife he placed in her hands a parcel of blank checks, which he had signed, and told her to fill them up and draw them, as her money needs might demand, and then he departed.

On his return he was confronted by his bank with a notice of an overdraft. On conferring with his wife relative to this matter she naively explained to him that the bank had made a mistake; that she could not by any possibility have overdrawn the account since she had not used up all the checks her husband had given her!!

It is a classical saying that all very good stories are lies. I think this last may not be an exception.

Here is a story of methods in banking—the methods of a man—which is entirely true. It came under my personal observation, and I introduce it here because it shows that men as well as women may make curious work of check-drawing.

He was a dealer in merchandise in Boston. A party in a town in Maine owed him two hundred dollars for goods purchased. The

debtor advised the Boston creditor that he might draw on him for the amount through a bank located near the debtor's home. The Boston man sat down and deliberately drew a check for $200 on the Maine bank, and signed to the check the name of the Maine man who owed him the two hundred. This ignorantly-forged check the Boston man actually lodged in his bank in Boston for collection. Fortunately for him the officers of his bank happened to notice his blunder and stopped its further progress.

WHAT CONSTITUTES A SHAREHOLDER IN A BANK.

In the matter of qualifying as a Director in a National bank, working under an Act of the United States demanding as a property qualification for a Director's position a proprietorship of at least ten shares of the stock of the bank, it is the best and most regular way for the candidate to buy his ten shares for cash, have them duly transferred to him on the books of the bank and a certificate issued in the usual form.

As it might be desirable to prove proprietorship in some other contingencies or circumstances when some of the usual methods had not been conformed to, it may be important to note what steps in the acquisition may be waived. The transfer is absolutely essential, yet the matter of taking out the certificate (the voucher) of the stock is not necessary. Neither is it absolutely necessary, in cases where stock has been subscribed for in a corporation, that it should be paid for. The bank has a right to give credit for the stock and to make, as it were, a loan in this as in any other regular way. Rulings to this effect are on record in cases under State banking laws. As National banks are not allowed by the Bank Act to make advances upon their own shares, this matter of establishing a stockholdership where a stockholder has not paid his assessments would probably have a different aspect in a National bank.

BANK ACCOUNTS WITH ADMINISTRATORS.

Bank accounts with administrators, executors, and other classes of representatives of the estates of deceased depositors are a common feature of practical banking.

The old accounts—the running accounts with the person who is dead—are closed in the following way: As soon as the bank hears of the decease, it ceases to pay outstanding checks which have been drawn by the party who is dead. The death does not affect the validity of the checks as far as the drawer is concerned. They are perfectly good as a demand against his estate; but the bank has no right to pay them. If it does pay them, after the death of the drawer, while in ignorance of the fact of the death—pay them innocently—equity, if not law, will undoubtedly protect them from any loss on account of such action.

I ought to remark here that there are high authorities who take the ground that death does not authorize a bank to refuse the payment of

a check duly issued for a proper consideration; but the balance of the law and testimony is against such an opinion. Massachusetts is the only State where payment of checks of deceased persons is authorized by statute.

On the presentation to the bank, where the balance of cash of the deceased party remains, of a proper certificate from a Probate office that the estate has been placed in the hands of an executor or administrator, that representative of the estate can draw the balance, and open, if he pleases, a new account with the bank in his name as administrator or executor. The bank takes the probate paper and places it on file, takes a proper identification of the new depositor—the administrator—and takes also his signature on the Paying-Teller's signature book. The new pass-book to the new depositor is then issued. If any outstanding checks of the party deceased subsequently come into the bank the presentors of such are referred to the administrator, who will, if they are all right, issue new checks in exchange for the old.

Bank managers should bear in mind that it is always necessary to specify, in opening accounts of the class we are describing, the names of the estates thus represented, as well as the names of their representatives.

NEWSPAPER MONEY ARTICLES.

Bankers everywhere generally begin their business day by reading the newspapers or by glancing over them. Before they commence the day's work it is positively necessary for them to know how business, political and social affairs are drifting in the theatre of their operations. And now that steam and electricity have clasped the globe in their embrace and made it as one solid and compact business whole, the entire world may be termed the stamping ground of the broad-minded banker of the period. But the banker in reading his daily journal will linger the longest over the financial articles—the monetary columns. To know how to read and study these reports becomes to him a special art; and how to properly discriminate between the wheat and the chaff of many of them demands sagacity and long experience—for it must be confessed that the chaff predominates in too many of the money articles of the daily paper of the period.

Many of the leading daily journals of this country and England have regular reports upon the money and stock markets of the day which are marvels in the extent of their sweep, the value of their statistics, and the sagacity and depth of their reflections and suggestions.

I have long been in the habit of daily looking over the monetary column of the London "Times" and I am inclined to place this stately financial article at the head of its class. But there are journals in this country which come close to it in point of ability in conducting this feature of their columns.

The bane of a money article is, of course, any absence of honesty

and reliability which is the outcome of a want of honesty and reliability in its writer consequent upon bearings which are prompted by his self-interest in the stocks and bonds which he discusses. This self-interest may be both direct and indirect. It is direct, when the writer passes a verdict upon the condition and prospects of securities in which he, or the clique to which he belongs, is holding either long or short interests. It is an indirect interest which controls his pen, when it has been corrupted by the money and influence of others who have a direct interest in the stocks and bonds about which he is writing.

The position of money-writer on a leading daily journal is one of great temptation, and of these press workers some have gone down before them. The comparatively small income of the money-editor, from his legitimate occupation, which is that of giving a candid and impartial daily resumé of the money and stock markets, may be, by the contributions of corrupting stock operators, swollen to princely proportions. Or this writer may, as we have hinted, be an operator himself, and prostitute his column on behalf of his own direct interests. His victims are those readers who have the most implicit confidence in him, and who readily rely upon his opinions without a thought that his verdicts are to be received with caution and suspicion because a selfish end is to be read between their lines.

THE AGE OF BANK OFFICERS.

I have known instances where men ninety years of age have been bank Presidents and carried themselves well in the position even at that advanced age. I have also known Book-keepers in banks who had seen more than fifty years' uninterrupted service at their desks. Not long ago, an able business man who had just been chosen for the first time in his life to act as the working President of a large bank, and who seemed as active and young as most men of fifty years of age, reported his age to me as over seventy years. In the Bank of England clerks generally begin their terms of service at the age of eighteen. At sixty, if they have served the old bank well, they are entitled to a pension.

A good story bearing upon this point of age in the matter of bank service is told of the late distinguished President of the ——— Bank, of ———. This man had often held forth at the meetings of his Board in declaration of the idea that no man under any circumstances—no matter how apparently superior his qualifications might be—was fit to be President of a bank after he was seventy years old. At such an age, he would say, a man in a President's place is sure to be too conservative—too slow—behind the times. These sentiments he invariably emphasized by announcing that, as for himself, he should positively retire when he reached the age of seventy, and he wished the Directors to be sure and remember this. By-and-by the prescribed time came, and the Board, which had not grown over-fond of their Chairman, began to look around for another man to take his place.

This movement soon came to the ears of the old President. He was quite indignant. Entering a meeting of his Board one day, he passed over to them in sharp manner the keys of the bank and his immediate resignation, saying as he did so, that they were an ungrateful set of men.

SETTLING OF OLD SCORES.

I have elsewhere spoken of the way long unbalanced pass-books will sometimes come home to be balanced at the banks—pass-books which have, in some instances, been drifting about in an unsettled form for half a life time.

I have here an instance of a final attempt at restitution and settlement of a long-standing irregularity in banking which, in its main features, is more remarkable than anything of the sort I have ever observed. The names and the bank I keep back for fear of disturbing the ashes of the departed. On the Directors' records of an old and excellent bank in a Northern state is the following record:

APRIL, 1, 1842.—Voted that the cash be made debtor to profit and loss for $1,000, this day received by the Cashier through the postoffice, enclosed in an envelope, without signature, and indicating that the same is to make good to the bank a loss occasioned by an error of one of its Tellers many years since. The following memorandum was ordered to be entered on the record, viz.: "The envelope named in above note contained the following words 'Jno. Robinson's error.' Robinson was formerly a Teller in the bank and was discharged in 1807, being a defaulter for a large amount. The balance remaining due to the bank, after applying the proceeds of all the property surrendered and found belonging to him, being between 9,000 and 10,000 dollars, no part of which has ever been paid, and the principal long since charged to the Contingent Fund."

No banker can read this striking old story without wishing that there were more instances in which attempts have been made to right the banking "errors" of the long past.

EQUITY.

In practical banking, as well as in general business, one is continually hearing references made to equity practice. I have just heard a banker say, when asked what would be the result in a certain complication of business, that equity, if not law, would give the bank the case—would not hold the bank liable in the matter in question.

A brief word in explanation of law and equity, or rather in explanation of the difference between the two, will be of interest and value. Without doubt there are many very intelligent practical bankers who use this term equity without clearly understanding its precise meaning.

An equity court is a tribunal for the correction of common law, in cases in which it is deficient, or for the application of the principles of natural right and common sense in the work of administering justice. Equity comes with its aid in extraordinary cases—cases which are exceptions to the general rule.

The reader must carefully observe that we have confined the sweep of equity to the domain of common law. In equity there can be no going counter to statute law—no correction of it, no stepping outside

of it—no matter how apparently exceptional and extraordinary may be the cases under consideration. Equity is, in fact entirely subservient to statute law.

In plain, business-like terms, what is this common law which may be, in some cases, corrected and improved on by equity?

Our common law is our unwritten law, or that body of customs, rules and maxims which have taken on the binding power and force of law in consequence of long usage and recognition by judicial decisions, and not by reason of statutes now extant.

When an eminent lawyer was asked to give the origin of common law, he replied that it was as undescribable as the head of the Nile.

SAVINGS BANK MANAGERS.

There is a point about the general management of the average Savings bank of the period which has for a long time attracted the attention of observing investors and financiers. The point in question is this: Savings banks are, in very many cases, managed—"run"—by a single man. This one manager is often the Treasurer, or he may be the President, or perhaps a leading Director or Trustee.

Institutions of the character we are considering, which were constituted for the purpose of being the most careful and conservative custodians of moneys belonging to the most unprotected classes of investors—poor people, uneducated in financial matters, widows, orphans, etc.—should be managed upon the soundest principles of financial administration.

And experience has fully proved that the method of individual control. of which we have spoken, is one having in it many elements of danger, and one which should therefore be carefully guarded against in Savings banks.

In these premises, that safety which comes from the counsel of many should be diligently sought for.

The charters of these banks provide, in nearly all the States, that they shall be under the management of many Directors or Trustees. These officers should perform the duties for which they were chosen—should not become mere men of straw, yielding all the guidance of the banks of which they are supposed to be "Directors" into the hands of one individual.

BANK OFFICERS AND AMUSEMENTS.

Good Dr. Wayland was once asked what pleasures he would recommend, and he simply replied, "Take a walk." The Doctor once said another fine thing, which a friend of mine, whose noble career has reflected honor upon his old instructor, says has been of more service to him than any sentence he has ever heard or read. It was this: "Nothing will stand against days' works." That is, if you have a great work to do, keep resolutely at it, day by day. and you will conquer it.

Now a word about the amusement question. The most reliable,

satisfying and truly recreative amusements which the world affords are right about us, accessible to all, and cost nothing.

There is in these days a tendency greater than ever before, particularly among our young people, towards making amusements an end rather than a means. Whatever spare time out of hours of work and sleep that comes to them, is too often looked upon as so much time to be spent simply in getting recreation of one sort or another. With this sole aim in view dashes are made into all sorts of what the world terms play, with a result, in the end, that may be compared to the ashes that came to the hands of him who grasped after sweet and wholesome fruit.

A great writer once declared, that the dullest things in the great city in which he lived were what that city termed its popular amusements, and so he gave them a wide berth, and found enjoyment in the simple, incidental pleasures which were the natural outcome of his daily working life.

Theatres, ball rooms and cards may be well enough in their places when taken in moderate doses, and the same may be said of the thousand-and-one ways in which modern civilization attempts to disport itself; but, after all, a person has got to get his real enjoyment of life out of what may be termed the every-day, common-place pleasures of his existence. *He must be happy over his work.* The farmer must take comfort in following his plough and watching the turning sod, in planting his fields and gathering his crops; the mechanic in seeing the products of his skillful hands taking on a comely and useful shape, and the student in his studies. And that mind is not in a healthful condition which cannot be best refreshed and ministered to, when weary, by a simple walk under the open sky, in the clear atmosphere, and amid nature's glorious surroundings.

SOME FACTS AND FIGURES.

In the New England States, the National banks are far more numerous in proportion to the territory than in any other part of the country. At the South and West they are located at much wider distances from each other as a general thing. And, in New England, Savings banks are more abundant than in other parts of the country. New York State still has a considerable number of State banking institutions, while, in New England, the sway of the National banking law has been well-nigh complete. New York has to day 151 State banks, with a capital of over twenty-eight millions, according to the report of the Bank Superintendent for 1890.

There have frequently been disputes regarding the date of the origin of the State banking system in this country, and the ages of some of our first established banks. We place upon record some facts in these premises which may be fully relied upon. The first bank established in the United States was the Bank of North America, of Philadelphia, which was started in 1782; the second, the Bank of New York, June,

1784; the third, the Massachusetts Bank, of Boston, which was started one month later in the same year.

The charter of the Massachusetts Bank was signed by Samuel Adams, President of the Senate, and John Hancock, "Gov'r of ye Commonwealth," and the first committee of the subscribers for the Massachusetts Bank stock were William Phillips, Isaac Smith, Jonathan Mason, Thomas Russell, John Lowell and Stephen Higginson. This bank commenced business with a capital of $300,000, and at once opened accounts with the Bank of North America, Philadelphia, and Bank of New York, and these accounts are continued to the present time.

To-day the total number of National bank shares is 6,097,983 and the number of shareholders 252,358. The great bulk of this stock is, of course, held in the United States.

The Comptroller of the Currency, in a late report stated, however, that 6,778 shares in United States National banks were at that date held in Great Britain, 3,764 in France, 4,162 in Germany, and 13,735 in other foreign countries.

About half of the capital of the National banks is held in the Eastern states.

To-day, in Massachusetts, bank shares are by no means so favorite an investment with individual capitalists as they were a few years ago. The expenses of their management have been only slightly reduced, and must of necessity remain about as they now are, the rate of taxation of National bank shares, capital and circulation has not been reduced, and there are no prospects of any early reduction, while the current profits of these institutions have decreased, owing to falling off in interest rates, and general risks of their business increased, owing to the wide-spread depression of trade and manufactures.

But National bank shares seem to be just about as popular with the Savings banks as ever, and a large proportion of the stock of Boston National banks is to-day in the hands of various savings institutions.

More than one-half of all the National bank stock owned in the New England states is held in Massachusetts.

The whole number of National bank shareholders in the New England states is 94,827.

BANKING IN CANADA.

I have, in my descriptions of the methods and machinery of banking in the United States, made frequent incidental allusions to English banking methods, many of which came under my personal observation while traveling in Great Britain.

There are some peculiar features of Canadian banking, which I have had an opportunity of looking into, and which interested me much, since they seem neither English nor American in their character, and perhaps come near being a cross between the two.

The Canadian banks are in the frequent habit of issuing demand

and time certificates of deposits, upon which interest is allowed. On open—current—accounts they are not generally in the habit of paying any interest.

The great banks of Montreal, etc., have many branches in small cities and towns. These branch banks are under the care of a Manager or Agent, assisted by such clerks as he may need. The Manager of one of these branches must be a banker of skill and good judgment, since he must take a deal of action of an important character on his own responsibility. Sometimes an advisory man is appointed by the central board for the assistance of the Manager—a man of prominence and ability located in the place where the branch exists.

Canadian banks generally have solicitors, and these, in the case of the branch banks, sometimes act as notaries and advisers. The salaries of the branch Managers range from $2,000 to $4,000.

The Manager of the branch bank is relieved of some responsibility in the matter of discounts, by a custom which prevails of arranging at headquarters that certain lines of discount shall be allowed certain specified dealers with the branches.

Overdrafts were, in former times, often permitted in Canadian banks, but few are now permitted.

The central-chief-banks have a regular official, termed an Inspector, who travels around among the branches, making frequent and thorough examinations of them—examinations which resemble the examinations made in the States by the National bank Examiners.

Canadian banks, branches and all, make a regular practice of dealing in sterling exchange—of drawing on London, etc.

The bank hours of Canada are from 10 to 3 o'clock, except Saturday, when they are from 10 to 1 o'clock.

Canadian banks fee their Directors for attendance, paying them $10 or less for being present at Directors' meetings, which are generally weekly.

The officers are bonded, as with us, but the bonds are now almost entirely guarantee companies' bonds, the individual bond being well-nigh an obsolete thing in the Dominion.

In England banks make a charge for keeping small accounts. Such was once the custom with some banks in New England. There is no such custom in Canada.

Circulating notes of the central banks are issued by the branches, after being countersigned by the branches.

Many of the Canadian banks make their discount customers notify all the notes held for them by the bank, furnishing them blanks for that purpose.

CHAPTER XXVIII.

INSIDE WORKINGS OF A BANK.

The following papers were written by a well-known bank officer for publication in RHODES' JOURNAL OF BANKING, and being in line with Mr. Patten's work and supplemental thereto, the articles have been revised for this volume.

BANK EXAMINATIONS.

QUESTION: "What is the best method for a bank officer to pursue in examining his own institution?"

ANSWER: Bank examinations can be made in various ways and under different circumstances. In National banks there are generally one or two examinations each year by the United States Bank Examiner who examines the institutions to the best of his ability and according to rules laid down by the Comptroller of the Currency to whom his reports are made. These reports are seldom if ever seen by bank officers, and unless the Examiner chooses to inform them that everything is right they are none the wiser. In State banks examinations are made by State Bank Examiners under State laws, but these reports are filed with the Banking Department of each State, and of course the officers of banks do not have access to them.

There seems to be a misconception in the mind of the public regarding the duties of National and State Bank Examiners, and when a bank fails many people blame them for not doing their duty. It should be clearly understood that bank examiners are not detectives. They cannot go over all the transactions of a bank for a length of time, and if a defalcation can be concealed from the officers or Directors for a series of years it can hardly be expected that a bank Examiner, in the course of an examination made once or twice a year, will unearth it. It is true that it is their business to look after such things, still they cannot be expected to do impossibilities.

The officers and Directors of a bank are responsible if anything goes wrong, and the blame must rest upon them.

Banks are examined about dividend time by a committee from the Board of Directors. The committee goes over everything in a perfunctory sort of a way, glances hurriedly through the bills discounted, counts the Tellers' cash as best it knows how and perhaps runs up a few columns of figures, which really means it has examined the bank's liability to the stockholders, but nothing has been done in the way of examining its liability to the public, and I venture to say the committee never thinks of examining the collection department, the special

deposits left for safe keeping, or anything of the kind. I heard of a Teller who for a joke once held aside one hundred thousand dollars of his cash during an examination by the Directors and it was never discovered.

These examinations in the nature of things must be defective, as the Directors are generally active business men and understand the granting of credits, but when it comes to the details of a careful bank examination it is entirely out of their line.

In some banks it is the practice to hire experts from other institutions to make an examination. This is excellent in its way but banks have different methods of conducting business. There are many things that are difficult for outsiders to comprehend and they are not always able to scrutinize the loopholes for defalcations, to say nothing of giving away the secrets of your business. This plan is an excellent one if it can be carried out, but there is perhaps only one bank in five hundred where it can be done to advantage.

None of these examinations are what is really wanted by the bank officer. He sits at his desk all day, his clerks are meeting customers, paying checks, receiving deposits, discounting notes, giving out balances, and the business of the bank is being conducted in all its departments. For all that he knows there may be a defaulter working right under his eye, or a man may be making a false entry that very instant.

A good bank officer wishes many times that he could stop the wheels for a day, have every page opened and proved and know that his bank is all right. He thinks he understands and is familiar with the workings of his clerks, their habits, etc., or if he is not he ought to be; and yet there is always a desire in his mind for more light. Many officers have not been brought up in the business and do not themselves know all the details of running a bank, and as they dwell on these things a feeling of helplessness comes over them, and they ask, "How can I best examine my bank?"

There is no rule for examinations that will make men honest, but bank officers should strive by all the means in their power to throw such safeguards around employees that they will be better able to resist the temptation to do a wrong act.

The first requisite of a careful bank examination is that the party to be examined should not be informed beforehand. If the least chance be given for a man to prepare for an examination he can generally do so in such a way that the best of systems will be defeated. If the Directors purpose sending experts to examine a bank the officers should know nothing whetever about it until the Examiners put in an appearance with their authority. In the system I am about to outline, under no circumstances should the desk to be examined be notified five minutes before the Examiners are ready to go over the department. This must be laid down as an invariable rule.

The only true way for an officer to examine his bank, it seems to

me, is by employing his own clerks to make the examination. This can readily be done in nearly every bank, and it has been tried with great success in banks of different sizes. The officers should expect to pay for an examination, and in this way they will secure the best efforts of the parties doing the work and at the same time enable their clerks to earn a little extra money, which is always acceptable.

The officers can generally select a committee from among the clerks not employed in the departments to be examined, and it can vary in number according to the size of the bank. Select one of the best men as Chairman; pay him twice the amount paid each of the other members, and throw the burden of the responsibility upon him to see that the examination is properly conducted. Make all of your arrangements beforehand very carefully, and inform the members of the committee in time for them to get their work in proper shape.

We will now suppose that such a committee is to make an examination. The Chairman should be provided with written authority from one of the officers, as follows:

To all: Messrs. Drake, Rennie, Hallock, Waterman and Kennedy are hereby appointed a Committee of Examination, with authority to examine this bank, at the close of business, on December 20, 1890, and Mr. D. B. Hallock is hereby appointed Chairman of said Committee, with full authority to carry out all necessary details of such examination.

(Signed) William Goode, Cashier.

The Chairman, at the stroke of three, steps into the Paying-Teller's department with as many assistants as necessary, and proceeds to count the cash; one assistant going to the Receiving-Teller's department, one to the Third Teller's department, one to the Discount Department, and the others to the Book-keepers' departments. The general Book-keeper should be instructed to take off a proof of the general ledger at close of business of that day and hand it to the Chairman. Supposing that the old style of ledger be used, the Examiners should take charge of the same, not allowing the Book-keepers to touch them until every balance has been struck and carefully taken off. The postings should be gotten up for that day's work, and as many balances as possible should be taken off that evening, working as far into the night as is necessary. The ledgers should then either be put in a safe, where the Book-keepers cannot have access to them, or put under seal, and the Examiners should come to the bank the following morning at an early hour, and take off the rest of the balances, so as not to interfere with the day's business. They can at their leisure, during the next few days, find the differences, making a careful note against each account of what the difference consists, which they will include in their signed report to the officer.

The Chairman should be furnished with the following instructions for examination of the different departments:

PAYING-TELLER.

1st. Count all cash and see that it agrees with the amounts called for by the Paying-Teller's proof

2d. Carefully list all checks that have been paid by the Paying-Teller that day, and see that the total equals the amount called for by his books.

3d. Scrutinize all charges made by him to the other Tellers, all cash items, so-called, receipts for currency shipped, Clearing-House transactions, and any entry from his desk that is out of the usual course of business.

4th. See what tickets, if any, are held in his cash, and make careful report of such.

5th. See that the total amount of cash on hand, with the amount of checks paid by him during the day and the amounts charged to the other Tellers or different departments of the bank, equals the total amount of his cash at the close of business on the previous day.

RECEIVING-TELLER'S DEPARTMENT.

1st. Count all cash and see that it agrees with the amount called for by Receiving-Teller's proof.

2d. Look back and list all checks drawn on other banks received on deposit during the day, and if a Clearing-House bank, look back all checks intended for the Clearing-House and see that they are properly listed and the amounts correctly transferred to the Clearing-House sheet.

3d. Examine carefully items called city and foreign office and see that nothing is being held which is not collectible the next day or which is not in shape to be charged to the different correspondents of the bank.

4th. List all checks on your bank received on deposit during the day and see that they, together with the checks on other banks, city and foreign office, and cash equal the total amount of deposits received, which should also be carefully listed and tickets footed.

In looking back checks drawn on other banks, great care should be exercised to see that none are fictitious and that all are properly accounted for as coming through some department of the bank.

THIRD TELLER'S DEPARTMENT.

1st. Count the cash.

2d. Carefully check all charges made to out-of-town correspondents from the foreign office of the previous day, proving same.

3d. Carefully check city office of the previous day and see that everything has been collected which is called for by the proof of that day.

4th. Carefully call back all mail received on day of examination and see that proper entries have been made for same, and if a Clearing-House bank carefully prove the additions to the Clearing-House sheet.

5th. Scrutinize all items appearing on his books as coming from any department in the bank and check back to their source.

6th. See that nothing has been charged to him by the other Tellers or charged by him to them which has not been properly entered.

Great care should be used to see that all checks handled by him

are *bona fide*, and that there are no checks in his department taken from mail that have not been credited.

Examine all notes left for collection, past-due items of all descriptions, and anything on the desk of irregular order.

DISCOUNT DEPARTMENT.

1st. List bills discounted or compare with discount tickler and prove same with general ledger.

2d. Any bills discounted that are away for acceptance, collection, etc., must be proved by letter, care to be used to see that all have been actually sent as some may have been ordered back, prepaid, etc.

3d. Report all collateral loans not covered by required margin.

4th. Report all past-due paper.

5th. If special deposits are held on discount desk carefully compare same with list and see that proper receipts have been taken for any delivered.

6th. Carefully list and report any securities which are not held as special deposits or collateral to loans.

7th. Report any and all collateral that you are unable to find quotations for.

8th. Select certain calculations made by the Discount Clerk during a period of three months before the examination and see if correct.

GENERAL BOOK-KEEPER.

1st. Proof shall be taken of general ledger.

2d. Count and prove all bonds, stocks and mortgages on hand called for by the ledger. If any be away verify by correspondence.

3d. Examine United States Treasurer's duplicate receipt of bonds to secure circulation and United States deposits.

4th. Write reserve agent and all correspondents to advise the chief examiner at his address the balance due the bank at close of business on date of examination. Upon receipt of same careful reconcilement should be made.

5th. Examine current expenses, taxes paid and premium account and see that no irregular entries have been made.

6th. The account with the Treasurer of the United States to be proved by his letters of advice.

7th. Scrutinize the various earnings accounts and see that there are no improper entries.

8th. Prove the circulation received from Washington.

9th. Carefully prove the individual deposits, which can be verified from the other Examiners' report.

10th. Certificates of deposit should be proved from the Certificate-book and register.

11th. Carefully verify certified account.

12th. List and prove Cashier's checks outstanding.

I have tried to make these instructions cover as fully as possible the business of small banks as well as large ones.

It must be remembered, as stated at the outset, that this examination is from an officer's point of view, and if your force of clerks outside of the departments to be examined is not large enough to make a wholesale examination, you can readily take up one department at a time which will answer every purpose.

The system may not be perfect, but it serves the excellent purpose of acquainting clerks with departments other than their own, and gives them an experience that will be of great value to them as well as to the bank, and if well paid they will not be loth to do the work.

Many points have probably been omitted from the instructions that should be covered, as the writer's purpose is to open up the subject of Bank Examinations from an officer's point of view.

Following will be found one or two specimen reports, as handed in by the Examiners. Reports upon other departments can be made in something of the same style, but it is hardly worth while to burden the reader with too many of them.

REPORT ON BOOK-KEEPERS' DEPARTMENT.

William Goode, Esq., Cashier.

Dear Sir:

This is to certify that I have made a list of balances of accounts in the individual ledgers at close of business December, 20, 1890, and as a result have discovered discrepancies in 132 accounts caused by errors as follows:

79 errors in striking balances.

34 errors in posting.

19 errors in writing in deposit-tickets and checks.

These having been rectified the overdrafts were proved, and the total of deposits was found to agree with the amount called for by the general ledger on above date, viz., $_____. Respectfully submitted, Clifford Waterman, Examiner.

REPORT ON TELLERS' DEPARTMENT.

William Goode, Esq., Cashier.

Dear Sir:

In pursuance of instructions received from you, we have carefully counted the cash and examined all items carried as cash by the Tellers at the close of business on the 20th inst., and submit the following report:

FIRST TELLER'S DEPARTMENT.

Counter Checks	$17,111 76	*Cash at close of business yesterday*	$1,065,305 25
Items charged to Third Teller	3,956 52	*Received from Second Teller*	32,675 17
Clearing-House debit this day	67,144 23	*Received from Third Teller*	4,141 20
Cash on hand	1,039,909 47	*Received from Treasurer United States*	26,000 00
		Second Teller short	36
	$1,128,121 98		$1,128,121 98

First Teller carries as cash memorandum tickets as follows:

Deposited in Safe Deposit Company vault, silver $8,730 00
[*This was verified by visiting vault and counting money.*]

Special deposit of United States gold certificates with reserve agent 150,000 00
[*Accompanied by letter from said bank which has been verified by us.*]

Petty disbursements 5 18

SECOND TELLER'S DEPARTMENT.

Checks on this bank	$7,512 85	*Deposits this day*	$108,545 09
Charged Third Teller	13 25	*Received from Third Teller*	33,736 12
Exchanges	105,006 47		
City office	3,898 49		
Foreign office	6,901 58		
Cash	18,948 19		
Short	38		
	$142,281 21		$142,281 21

THIRD TELLER'S DEPARTMENT.

Cash	$804 33	*Sundry credits*	$30,607 66
Exchanges for	26,306 71		
City office	1,132 97		
Foreign office	813 65		
Cash items	1,550 00		
	$30,607 66		$30,607 66

We have also examined all collections connected with the desk including notes, dividends, coupons and unpaid coupons that are past due, and found them to agree with the books of the bank.

RECAPITULATION.

Cash, First Teller	$1,039,909 47	
Cash, Second Teller	18,948 19	
Cash, Third Teller	804 33	
		$1,059,661 99
Exchanges for ——— inst.:		
Second Teller	105,006 47	
Third Teller	26,306 71	
		131,313 18
City office:		
Second Teller	3,898 49	
Third Teller	1,132 97	
		5,031 46
Foreign office:		
Second Teller	6,901 58	
Third Teller	813 65	
		,715 23
Cash items		1,550 00
Total cash		$1,205,271 86
Deficiency		38
Cash as per general ledger		$1,205,272 24

Yours respectfully,

Daniel B. Hallock, Chairman.
Drake, Rennie, Waterman and Kennedy, } *Committee.*

TELLERS' DIFFERENCES.

QUESTION: "What is the best method of keeping an accurate and satisfactory record of Tellers' differences?"

ANSWER: Theoretically, there should be no differences. All entries on the books of a bank should be correct, every credit should be represented by the same amount of debit, and the Tellers should always pay and receive the proper amount of money; but while this is true in theory, practically it is never done, and there is not a bank that does not have more or less differences.

All differences should be immediately reported to the officers. No Teller, having a difference in his cash, should be allowed to close up for the night until every known method of finding the error has been

exhausted. No Book-keeper or clerk on any desk where differences occur should let them run for any length of time without making every effort to find them.

It is not the purpose of the writer to give a set of rules for finding differences—that must be left to the individual bank officer; but many differences occur which are never found, and some method should be used to keep an accurate and satisfactory record of them.

In many banks the officers look after small leaks and keep the strings tied in a hard knot; in others, things are allowed to go at loose ends without a thought of the consequences, one of the loose ends being "Tellers' differences."

In some banks the Teller holds aside all "overs," and takes from the amount any "shorts," no record of them being kept. When the "shorts" exceed the "overs," a ticket is generally carried in his cash. This system cannot be condemned too strongly, as it places temptation in the way of a Teller to use money which does not show in his cash, and if his expenses are heavier than usual or his family ill, he may borrow and "forget" to return the money, which opens the way for a man who is not dishonest to use money belonging to others, and thus begins a downward course.

Dishonesty among bank clerks is the exception and not the rule, but officers should be on the alert to keep temptation as far away from them as possible.

If we investigate the defalcations that have occurred during the last ten years, we will hardly find a thief who, at first, deliberately stole a large amount of money. He probably began by taking a small sum, quieting his conscience by saying it was only a temporary loan, which he would pay soon; but it turned out to be the old story—he could not repay the amount, went from bad to worse, and finally stole all that he could lay his hands on.

Other banks keep a ledger account called "Difference Account," to which they charge and credit all differences. At the end of the year they can generally tell whether the "overs" exceed the "shorts," but I doubt very much whether they can tell which desk has had the most differences or given any proper statistics relating to the same. This method is better than the previous one, but does not answer the question.

Two ordinary ledger sheets should be ruled in the manner shown on the following pages, 454 and 455 (see Forms 91 and 92).

In the system illustrated on pages 454 and 455 an accurate record is made of every difference, no matter how small, and the officers are thus enabled to trace and know when and on what desk they occurred.

An account should be opened in the Individual Ledger called "Overs and Shorts," to which every shortage should be charged and every "over" credited. Charges and credits to this account should state clearly the date of difference, on what desk it occurred, and any other necessary particulars. When correcting the whole or part of a differ-

"Overs" Account.

Date 1899	Date of Difference	Date of Over	Debit	Credit Balance	Credits: First Teller	Second Teller	Third Teller	Exchanges	Date of Correction
Oct 3	Oct 1			3				3	Oct 31
6	" 4			5	2				Oct 15
8	" 5			6			1		
12	" 8			8		2			
15		Oct 4	2	6					
17	" 16			9	3				
19	" 18			11			2		
20	" 19			14		3			
20	" 19			15 27			1 27		Oct 20 3
30	" 19			17 57				3 30	
21	" 20			18 72			1 15		
21		Oct 1	3	15 72					
20 3		Oct 19	1	14 72					

Form 91.

"Shorts" Account.

Form 92

Date	Date of Difference	Date of Correction	Debits: First Teller	Debits: Second Teller	Debits: Third Teller	Debits: Exchanges	Debit Balance	Credit	Date for Short
1899									
Oct 2	Oct 1		6				6		
3	Oct 2	Oct 10		2			8		
5	" 2				3		11		
7	" 6	Oct 22				1	12		
10							11	1	Oct 2
14	Oct 12				4 30		15 30		
16	" 15					2	17 30		
19	" 5					1 25	18 55		
22	" 20			2			20 55		
22							18 55	2	Oct 6
24	Oct 23	Oct 25	3 50				22 05		
25							19 05	3	Oct 23
26	Oct 25	Oct 28			5		24 05		
27	" 26					3	21 05		
28							21 05	5	Oct 25
30	Oct 29	Oct 31	3				24 05		
31							22 05	2	Oct 29

ence, the date and particulars of the original error should be clearly stated.

One page is for the "shorts," the other for the "overs." In many respects the two correspond, there being in each a column for "date," "date of difference," "date of correction," "first Teller," "second Teller," "third Teller," and "exchanges." On the "shorts" page there are also columns marked "debit balance," "credit," and "date of short," which correspond respectively to "credit balance," "debit," and "date of over" on the "overs" page.

These columns are used as follows: The ones marked "date" are for date of entry; "date of difference," when the difference occurred; "date of correction," subsequent date when the difference (or any part of it) was found; "first Teller," "second Teller," "third Teller," and "exchanges," are used for entering differences occurring on these desks.

On the "shorts" page "debit balance" shows total amount of "shorts," to which is added every "short" posted in any of the four columns, "first Teller," "second Teller," "third Teller," and "exchanges." The column "credit" is for the purpose of crediting when found, any previous difference (or part) by deducting same from amount of "debit balance." "Date of short" is used in connection with "credit" column and refers to date of old "short."

By referring to the diagram (see Form 92) it appears that on October 2d the second Teller was short $2. This difference was found October 10th, and the amount is noted in "credit" column and deducted from previous "debit balance," the date of "short" October 2d being opposite. Also will be noticed, opposite the date October 2d in "date of correction," the date when the difference was found.

On the "overs" page "credit balance" shows total amount of "overs,"to which is added every "over" posted in any of the four columns, "first Teller," "second Teller," "third Teller," and "exchanges." The column "debit" is for the purpose of debiting when found, any previous difference (or part) by deducting same from "credit balance." "Date of over" is used in connection with "debit" column and refers to the date of old "over."

It will be seen that on October 4th the first Teller was over $2 (see Form 91). This "over" was found October 15th, and the amount is noted in "debit" column and deducted from previous "credit balance," the date of "over" being noted before it. Also will be noticed opposite the date October 4th, in "date of correction," the date when the over was found.

The difference between the total of "debit balance" and "credit balance" is the amount of present "short" or "over," which, as noticed in the diagrams, is $7.33 "short" (see pages 454 and 455).

If this system is faithfully carried out, at the close of each year a careful memorandum can be made of all differences that have occurred,

showing whether there is an excess of "overs" or "shorts," as in the following:

			Excess of Shorts.	Excess of Overs.
First Teller	*Overs*	$138 00		
	Shorts	122 27		$15 73
Second Teller	*Overs*	69 08		
	Shorts	45 74		23 34
Third Teller	*Overs*	8 97		
	Shorts	11 12	2 15	
Exchanges	*Overs*	12 93		
	Shorts	13 94	1 01	
			$3 16	$39 07

NUMBER OF ERRORS.

First Teller	*Shorts*	14	
	Overs	5	19
Second Teller	*Shorts*	19	
	Overs	35	54
Third Teller	*Shorts*	4	
	Overs	6	10
Fourth Teller	*Shorts*	26	
	Overs	33	59
	Total Differences		142

This system can be altered or amended to suit the needs of different banks; if followed out it goes far toward solving a difficult problem.

DEPOSITORS' ACCOUNTS.

QUESTION: "What is the best method of keeping them?"

ANSWER: It is not the purpose of the writer to propose an infallible system for keeping depositors' accounts but to discuss the general principles that underlie all good systems.

The same general laws govern the conduct of banks with depositors all over the country, but the management varies according to location, and an officer in selecting a method for keeping accounts of depositors must be guided largely by the situation of his bank and the class of business it expects to do.

A bank in a country town with few depositors would not require the system used by a bank in a small city, and a bank in the latter would hardly expect to use the elaborate system necessary in a large financial centre.

A bank whose accounts consist chiefly of other banks must devise a system very different from that of a bank having no accounts of that

nature. A bank whose dealers are mostly mercantile people who draw a moderate amount of checks, need not have so elaborate a system as a bank having private and ladies' accounts on which large numbers of checks are drawn and information is being constantly required. A bank in Chicago or San Francisco will find it difficult to use the system pursued by a New York bank, even if the depositors are of the same class; therefore it follows that each officer must study the best system and select the one most adapted to his business.

There are three general principles which can be laid down in selecting a proper method for keeping depositors' accounts:

1st.—The system must be absolutely correct and one which will facilitate the proving of the accounts by the clerks. Officers often forget that the only way many customers come in contact with their institution is through the medium of their accounts, and there is nothing so annoying to a customer as to have his account kept in a loose manner and to have errors constantly occurring. More accounts are probably lost to banks through errors in the deposit ledgers than in other ways, and any institution which has a poor method of keeping these accounts does not stand much chance of success. It makes very little difference to the depositor how inaccurately other books of the bank are kept or whether the handwriting is legible; he judges its business methods largely by the way his pass-book is balanced and his account handled.

2d.—The system should be one in which every known method is used for the protection of the bank against defalcation or collusion by a clerk with an outsider. Here is a point where the best of systems will fail if not carefully watched, and one way to prevent anything of the kind is to change the book-keepers from time to time and pursue the system of bank examinations mentioned on another page.

3d.—The best system should show in some way a complete history of each depositor's account. George Rae, in the "Country Banker," says: "A man's bank account will not necessarily disclose what he is worth, but its entries will serve as tracks to indicate with some degree of clearness the line of progress along which he is moving towards either failure or success. Your customers are unconscious diarists of a portion of their lives. Every account in your books is a record more or less graphic of the financial history and progress of the customer contributed by himself," and the bank officer should see that this history is plainly written.

Depositors drawing on to-day's deposit should be reported to the officers, as in one sense the customer doing this overdraws his account, not having had the money to his credit when the check was drawn.

The officers should also be informed of all customers drawing on the previous day's deposits in order to prevent "kiting," which is generally done by weak customers, and your system should show this at a glance.

Accounts should also be kept in a way that will enable the officers

to have a careful average made of the balances. In many banks this is not done on account of the time and labor necessary, but if officers could only realize the importance of having a correct average of the account of every depositor, month by month and year by year, from which they could gather a large number of valuable statistics, it would show them in many cases whether they were making or losing money.

The method of averaging an account is simple. Banks connected with Clearing-Houses have only to deduct the exchanges from the depositor's balance of that morning and add the different balances together, dividing by the actual number of working days in the month, to show the depositor's average for that month. In cities where there are no Clearing-Houses this principle can be carried out by deducting the checks paid that day, but drawn previously.

A system which appears to cover all these points would embrace the old-fashioned dealers' ledgers, in which the postings are made from the books after having been written in by check clerks, combined with the balance ledgers (or skeleton ledgers, as they are sometimes called), to which the postings are made from the deposit tickets and checks themselves, a proof of every account being taken each day. Pass-books can be balanced on the dealers' ledgers, and when each book has been written up a careful comparison should be made with the balance ledger, and at least once a month every account should be called back between the two ledgers. The balance ledger will show exactly the condition of the account at the close of each day, and a careful average of the same can be made. The dealers' ledger will show the other part of the history.

This system of course necessitates the keeping of a double force of book-keepers, but where there is a large number of accounts, many having similar names, a system of this kind is a good preventive against error, but the ledger-keepers of both classes should be changed from time to time and careful examinations made.

JOURNAL ENTRIES vs. CHARGE TICKETS.

Entries on the books of a bank may be divided into several classes:

1st. Those made directly from customers' checks and deposit tickets.

2d. Such as are made directly from the mail.

3d. Miscellaneous class of entries for which the bank always has vouchers of some kind.

4th. Entries which are not represented by vouchers. To this last class more particular reference is made on another page.

In speaking of journal entries I refer to the system in vogue in some banks where clerks enter directly on the books, without any memoranda, various charges and credits, which are not seen by the officers.

It has been argued in favor of this system that a bank officer can make a careful examination each day of every journal entry. I admit

that this can be done, but you are making a clerk of the officer and are paying a high-priced man for doing work which under a different system could be done by clerks equally as well.

Just here is one of the chief mistakes of the day in banking circles. Bank officers are doing a large amount of detail work which, if properly systematized, could be handled by others. An officer is chosen to a position that he may direct the affairs of the institution. He is supposed to have certain capabilities that other men do not possess; to be a man of executive ability and to handle and place men in positions where they can do the best work, and in general he is the directing power of the bank. Notwithstanding all this, there are too many officers who are wasting time over unimportant matters which, by a little careful thought, could be delegated to the clerks who would do it much better because their minds are perfectly free and clear from other business matters. An officer should be able to find among his force of clerks from one to a dozen men (according to the size of the institution) who can attend to certain matters of detail better than himself, and it should be his province and good generalship to select men for that particular class of work. This would relieve his shoulders of many burdens, keep his mind free for large matters and enable him to grasp the reins of the whole bank and drive it to success.

There is altogether too much petty jealousy among bank officers, of men below them. It may be truthfully said that any competent officer need have no fear of a first-class man coming up behind him if he wisely directs him, as that man will always contribute to his success and the more first-class men there are growing up around him the more successful he and his bank will be. The word "jealousy" should be stricken out of a good bank officer's dictionary and he should so cultivate the acquaintance of his men as to bring out their best qualities in order that they may all contribute to his success as an officer. This may seem a digression from the subject but many bank men contend that an officer can overlook journal entries, but a system should be provided which will answer the same purpose without the officer performing the duties of a mere clerk. Too many officers are to-day acting as Discount Clerks, Tellers, Book-keepers, etc., in large banks, whereas if affairs were managed properly the bank would take a new lease of life and the officers could in turn devote their time to the best interests of the institution.

In the use of charge tickets there is a much better system than that based on journal entries. The clerks should be instructed to make out a charge ticket for every irregular entry which, bearing the signature of the maker and embodying an explanation of the entry, should be handed to one of the officers for his initial. By requiring each clerk to make out charge tickets correcting his own errors, and having him present them to an officer to be initialed, he is brought face to face with the error which often has a good effect and tends to make him more careful;

and it would also prevent the making of tickets to correct supposed errors which do not exist. A ticket should never be entered without having been initialed. The officer should also be handed any advice or statement pertaining to or showing a reason for the entry. In the case of advice of credit by an out-of-town correspondent the advice should always accompany the ticket, to enable the officer to see that no irregular charges have been made. The officer can thus see at a glance the reason for the entry and can pass upon it immediately. A large number of defalcations have been concealed by making irregular charges in correspondents' accounts whereas if a system of this kind had been used it would not have been likely to occur.

The officers should never make out a charge ticket themselves and that fact should be clearly understood throughout the bank.

With the use of charge tickets every entry should have something to show for it. A careful system of calling off and checking back the entries of each day's work should be arranged, in which the man who makes the entries should not be allowed to call back. Clerks calling should be instructed to check every entry and report to the officers any that do not have a proper voucher, or any charge ticket not signed by an officer. After the books have been carefully called back and checked the man calling should sign his name first and the one looking on, second, thus preserving a record of the parties checking the work. The men writing in and footing the books should be instructed to bring down the footings in ink and sign before each footing at the close of the day's work, and in carrying a footing from one book to another the party making the transfer should place his signature before it. The chief clerk should have careful instructions to see that all the books are properly signed, footings brought down and signatures attached within twenty-four hours; in this way some one is held responsible for every entry on the books of the bank, and all the irregular entries are presented to the officers through charge tickets with explanations which should be carefully written on the books to show in posting that they are charge tickets and not regular entries. This system can be carried out in large as well as small banks and will be found to work admirably.

WHAT IS THE BEST METHOD OF OPENING LEDGERS?

There is nothing more disagreeable to the average bank officer than to be informed that it is necessary to open a new Ledger. It is a very serious question in some banks, especially where the volume of business is so great that the entire time of the Book-keeper is occupied in posting and handling each day's transactions. The mere thought of opening a new Ledger suggests late hours, and consequently, as with all difficult matters, it is put off until the last moment.

One of the first rules to be laid down in regard to opening Ledgers is that a careful survey of the old Ledger should be made by the Book-keeper and he should note how fast it is being used up. A new

Ledger should be ordered at least six months in advance of the date for opening, thus giving ample time for the proper seasoning of the book, which is of great importance to a book receiving the hard usage that a bank Ledger does from day to day.

In ordering a Ledger economy should not be considered. The book should be well bound, of the best paper, and after giving the matter careful consideration and trial, I am prepared to recommend using a patent back, which will allow the book to be opened freely: even with this, every fifth or sixth page should be strengthened with linen strips.

The longer a Ledger can be made to run without confusing the accounts the better it is for the bank and Book-keeper, as it can be used for reference for a greater length of time, and it saves handling a large number of books. Bank Ledgers should never be destroyed, consequently they should be strengthened in every possible manner, and great care used in their manufacture and construction.

Many banks are to-day using the old style of ruling on Ledgers, with debit and credit columns on one page; but by investigation it will be found that a Ledger, ruled as the sample shown herewith, with double rulings on a page and lines close together, will answer every purpose and make it possible to use the book twice as long as the ordinary Ledger. The sample gives one-half of a page in width, and the depth may be the full length of the paper. (See Form 93.)

After a Ledger has been ordered and well seasoned, and is ready for use, the question arises: How can an overworked Book-keeper (or one who is not overworked) open it to the best advantage?

The system I am about to outline, which was first originated by Mr. Frank Dean, the Assistant Cashier of The Fifth Avenue Bank, of New York, enables the Book-keeper himself to open the Ledger in a careful, systematic way, taking plenty of time to do it; and, if overworked, it gives an officer the opportunity to afford him assistance without interfering with the regular work of the bank.

To facilitate comparison of accounts in banks where Balance, as well as Individual Ledgers, are kept, the names on both Ledgers should run as nearly alike as possible, and at least a month before opening the Ledger the Balance-Ledger keepers should be requested to carefully rearrange their accounts alphabetically and according to the proper vowels, and charge out to "Unclaimed Balances" all accounts which have become inactive and have reduced balances. A list of these accounts charged out should be given to one of the officers, which will enable him to see what accounts are doing less business, and, if necessary, make inquiry and learn why they are not active. After the accounts have been rearranged the names should be copied into a carefully prepared vowel index, which should be ordered with the Ledger. In banks where no Balance Ledgers are kept the same process may be used in handling the old Ledgers.

After the names have been copied into the index, the question arises,

How long is it expected that the new Ledger will run, and how many pages shall be allowed to each account considering that they will use the same number in proportion that they have heretofore? Provide space for new accounts and have them all run evenly and thus fill up the Ledger with as little transferring as possible.

We should now take the old Ledger and ascertain the length of time it has been used and estimate the number of pages each account will require in the new Ledger, noting same in pencil in front of the name in the index. After this process has been completed, add the number of pages allowed for the accounts in each vowel, then prepare a diagram as below (see Form 94) [which is prepared on a basis of an A to C, 1500 page, Ledger], and enter the number of pages allowed for each vowel.

	a	e	i	o	u	y	Totals.
A.....	60	100	55	40	25	10	290
B.....	110	140	96	103	80	30	559
C.....	79	93	52	60	24	11	319
Total No. of pages for accounts.....	249	333	203	203	129	51	1168

Form 94.

On the diagram shown there is a total of 290 accounts in "A" divided among the vowels; "B," 559; "C," 319; making a total of 1,168 open accounts. The footing of the accounts is proven by both vertical and horizontal addition of totals, which should always be done or one may be thrown out on the general result. Deduct the whole number of pages allowed to the accounts on the index from the total number of pages in the Ledger, and you ascertain the number of pages to be distributed among the vowels. In the illustration there are 332 extra pages; (1500–1168 = 332), therefore that number of pages is to be divided equally among the different vowels. To find the number of pages to be allotted after each vowel divide decimally the total of extra pages by the total of pages allowed for the accounts, as follows: 332 + 1168 = .2842 +. Now multiply this quotient by the total number of pages allowed for each vowel, and the result, as per diagram below (see Form 95), gives the number of extra pages to each vowel; these totals are also proved vertically and horizontally, which is of importance. Of course, in figuring decimally, one may be obliged, on account of fractions, to allot a few extra pages to the larger vowels to make the scheme prove, deducting them from another vowel.

After you have carefully schemed out the number of pages, as in Form 95, add the total allowed in your estimate to the total of extra pages for "A," and the result gives the page on which that letter should end, in this case p. 373. Letter "B" should commence on the

following page and end on page 1,091. "C" should commence on page 1,092 and continue to the end of the Ledger. After this has been done enter in ink opposite each name in the index the number of the page on which the account is to commence, keeping a tally by adding

A.....	17	28	16	12	7	3	83
B.....	31	40	27	29	23	9	159
C.....	22	26	15	17	7	3	90
Total No. of extra pages...	70	94	58	58	37	15	332

Form 95.

to the page number the number of pages allowed for the account in question as per your pencil memoranda. Proceed carefully through the index, proving each vowel by adding the total allowed for that vowel to the previous footing, thus:

Total number of pages allowed for "Aa," as per scheme..... 60
(Last "Aa" should be entered on page 60.)
Extra pages allowed for "Aa"..... 17
(Therefore the first "Ae" should be on page 78.) 77
Total number of pages allowed for "Ae"..... 100
(Last "Ae" should be entered on page 177.)
Extra pages allowed for "Ae"..... 28
Consequently the first "Ai" should be on page 206. 205

And thus proceed through the entire index. Any differences should be corrected, and each letter should end on the page previously determined upon.

The principal part of the work of opening the Ledger has now been accomplished. The Book-keeper who has charge of the Ledger or one of the other clerks can take the index as prepared and insert the Ledger headings, always being assured that he will come out right in the end. The pages allowed for the accounts will thus run as long as the Ledger is in use and as nearly even as mathematical precision can make them.

In heading a Ledger use good, black ink, writing a large, bold hand.

In using a double-ruled Ledger, as per diagram, one page, of course, is equal to two of the old style, and the Book-keeper should be able to turn to the accounts which are written on the lower part of the page as readily as though he were using an account for each page; and as most Ledger-keepers "thumb up" with the right hand, opening and turning to the right, it is a good plan to put on the upper left-hand corner, writing small, with blue ink, the names of accounts on the left-hand page and those of the right-hand page in red; thus the Book-keeper will be enabled to turn to them without delay.

After the index has been prepared and the Ledger headings entered you are ready to transfer the balances. For a month previous to the time of opening, the Book-keeper should keep the old Ledger footed as

close as possible. A rubber stamp should be prepared bearing the date upon which the new Ledger is to be opened, and reading say thus:

1890.

"Aug. 1. Bal. trans. fr. Led. No. 20."

which should be carefully stamped on each account in the new Ledger. On the last day of the month all the accounts in the old Ledger should be footed and next day's postings should be entered in the new Ledger. From day to day the Book-keeper should strike the balances on the old Ledger and transfer them to the new one, at the same time making a note of the names and amounts in a separate book. After all have been transferred, carefully compare with the Balance Ledger, if one is in use, correct all differences and prove the Ledger, signing and handing the proof to one of the officers. In large banks it should be a rule that balances should be transferred to the new Ledger and the same proved not later than thirty days from date of opening, and this will not work any hardship on the Book-keeper.

In the work before outlined it will be noticed that it can be done by the Book-keeper or taken out of his hands after the index has been prepared, and the balance of the work can be done by any clerk in the bank. This is of great importance in large institutions where a Book-keeper's position is no sinecure.

After the Ledger has been opened three months, the officer having the matter in charge should have a careful list prepared of all depositors whose pass-books have not been balanced within that time. He should cause a personal letter to be written, signed by himself, which will have the desired effect of bringing in the outstanding books; thus he will have the satisfaction of knowing that the bank work has been carried up to date and all vouchers have been returned to the owners.

HOW TO HANDLE STOPPED CHECKS.

Morse says: "A check is simply a written order of a depositor to his bank to make a certain payment; it is executory, and as such it is of course revocable at any time before the bank has paid or committed itself to pay it. The bank is the drawer's agent; its primary duty is to hold or pay his money as he directs. Primarily it owes no duty to the holder except under and by virtue of directions from the drawer until by reason of these directions it has assumed voluntary or by action of law has involuntarily come under secondary and superseding obligations to the holder. The latest orders from the drawer govern its right to act on his behalf."

This being the case there is hardly a bank that has not more or less trouble with "orders" from depositors to stop payment of checks, and if there is any one thing needing careful attention it is a system which will rigidly guard against the payment of such stopped checks. A large bank with three or four Tellers is more liable to mistakes of this kind than an institution where all the checks pass under the eyes of one or two Tellers. The first thing to be provided is a proper stopped

payment blank, and for the sake of convenience, a form is given (see Form 96), to be used when a duplicate check or draft is to be issued and the original stopped.

.....

....., *189*

THE RESERVE NATIONAL BANK,
Of the City of New York.

Gentlemen:

Please take note that we have this day issued Duplicate of our Draft No. ..... *dated* ....., *189* , *to order of* ....., *for* $....., *the Original thereof not having been paid according to your account current last rendered to* ....., *189* .

Please refuse payment on Original of the above described draft

Yours respectfully,

.....

TO OUR CORRESPONDENTS:

Please exercise care in examination of accounts rendered, as Duplicates will only be paid upon receipt of above notice of their issue.

In issuing Duplicates, please make them of the same tenor and date as the Original, writing the word "Duplicate" and date of this order across the face.

Respectfully,

Form 96. JOHN H. SMITH, Cashier.

It will be noticed that two good points are secured by this blank, viz.: correspondents or depositors are obliged to note that they have carefully examined their account currents or pass-books and that the original check has not been paid. A very common mistake has often been made by depositors neglecting to thoroughly examine their vouchers before issuing an order for stoppage, and many complications have thereby arisen. Another point is covered by the dating of the duplicate draft or check which in all cases must agree with the date of the order. This prevents a dishonest person from using a check upon which payment has been stopped by writing "duplicate" across its face. Though seemingly of slight importance, many banks have been swindled extensively in this manner, but by using this simple device you have a

preventive, as a swindler would not be likely to know the date of the order stopping the check.

Upon receipt of an order to stop payment of a check the Paying-Teller should be notified at once and the other Tellers immediately thereafter, as very often stoppage orders are given hurriedly and no delay should occur in putting the notice in the Tellers' hands. An instance will illustrate this point: Some time ago a large firm having its headquarters in a Western city, failed. Most of the business was transacted through the New York partner, and a few days before the assignment the firm negotiated a large amount of single-name paper, the proceeds of which remained in the hands of the note brokers. The latter accidentally came down to their office a little earlier than usual on the morning of the failure and found waiting at the door the New York partner of the firm who stated that he desired a check for the proceeds of the notes. The brokers thought the circumstance rather strange but as there was nothing to excite suspicion a check was given. He had not been gone from the office more than fifteen minutes before the brokers received a telegram from the West announcing the suspension of the firm; it then lacked ten minutes of ten o'clock. A member of the brokerage firm ran immediately to the bank, reaching it within two minutes of ten o'clock, ordered the stoppage of their check and handed the same to the Cashier who delayed a few minutes before sending to the Paying-Teller. When the latter was notified, the Cashier was told that the partner of the suspended firm had been waiting on the line, and the moment the Paying-Teller's window was opened at ten o'clock had had the check certified. As the order to stop the check was in the hands of the Cashier before the certification was made, it was an open question whether the bank was not liable for the amount. This only illustrates how promptly orders for stopped checks should be handled and that they should have precedence over all other orders.

After the Tellers have been notified and memoranda taken, the order for stoppage should be handed to the Check-Clerk, who should examine the vouchers of the depositor to see if the check has already been paid, and he should write across the face of the order a notice to that effect or that the check has not been paid, signing his name with the date. The order should then go to the general Book-keeper who should note in a book kept for the purpose a full description as to date, payee, etc., also the date of the order for stoppage. In each of the Tellers' departments a list should be kept of all checks stopped, arranged alphabetically for ready reference. These lists should only contain checks stopped within the previous three months, and the Tellers should be instructed not to pay any checks dated before that period without looking them up in the stopped-check book to see if there is anything noted against them. The Book-keepers should also be provided with copies of the same lists, for the purpose of examining the exchange from the Clearing-House. In some banks where it is

deemed advisable to relieve the Book-keepers of this duty, a special man is delegated to examine the exchanges for stopped checks; this can also be done in the Exchange Teller's department, if one is connected with the bank, but it will divide the work and fix responsibility to have it attended to by the Book-keepers.

After all has been said the old adage remains good, that "eternal vigilance" on the part of all concerned is the price of safety, when you are looking out for stopped checks.

CHAPTER XXIX.

LAWFUL-MONEY RESERVE OF NATIONAL BANKS.

The law now regulating the reserves which National banks are required to keep on hand to protect their deposits, is found in sections 5,191, 5,192 and 5,195 of the Revised Statutes of the United States as modified by section 2 and part of section 3 of the Act of June 20, 1874, and by sections 1 and 2 of the Act of March 3, 1887.

The text of these sections, including methods of computation and description of funds available for reserve under the law, is as follows:

[*U. S. REVISED STATUTES.*]

(SEC. 5191.) Every National banking association in either of the following cities, Albany, Baltimore, Boston, Cincinnati, Chicago, Cleveland, Detroit, Louisville, Milwaukee, New Orleans, New York, Philadelphia, Pittsburgh, Saint Louis, San Francisco, and Washington, shall at all times have on hand, in lawful money of the United States, an amount equal to at least twenty-five per centum of the aggregate amount of its notes in circulation and its deposits; and every other association shall at all times have on hand, in lawful money of the United States, an amount equal to at least fifteen per centum of the aggregate amount of its notes in circulation, and of its deposits. Whenever the lawful money of any association in any of the cities named shall be below the amount of twenty-five per centum of its circulation and deposits, and whenever the lawful money of any other association shall be below fifteen per centum of its circulation and deposits, such association shall not increase its liabilities by making any new loans or discounts otherwise than by discounting or purchasing bills of exchange payable at sight, nor make any dividend of its profits until the required proportion, between the aggregate amount of its outstanding notes of circulation and deposits and its lawful money of the United States, has been restored. And the Comptroller of the Currency may notify any association, whose lawful-money reserve shall be below the amount above required to be kept on hand, to make good such reserve; and if such association shall fail for thirty days thereafter so to make good its reserve of lawful money, the Comptroller may, with the concurrence of the Secretary of the Treasury, appoint a receiver to wind up the business of the association, as provided in section fifty-two hundred and thirty-four.

(SEC. 5192.) Three-fifths of the reserve of fifteen per centum required by the preceding section to be kept, may consist of balances due to an association, available for the redemption of its circulating notes, from associations approved by the Comptroller of the Currency, organized under the act of June 3d, eighteen hundred and sixty-four, or under this title, and doing business in the cities of Albany, Baltimore, Boston, Charleston, Chicago, Cincinnati, Cleveland, Detroit, Louisville, Milwaukee, New Orleans, New York, Philadelphia, Pittsburgh, Richmond, Saint Louis, San Francisco and Washington. Clearing-House certificates, representing specie or lawful money specially deposited for the purpose, of any Clearing-House association, shall also be deemed to be lawful money in the possession of any association belonging to such Clearing-House, holding and owning such certificate, within the preceding section.

(SEC. 5195.) Each association organized in any of the cities named in section fifty-one

hundred and ninety-one shall select, subject to the approval of the Comptroller of the Currency, an association in the city of New York, at which it will redeem its circulating notes at par; and may keep one-half of its lawful-money reserve in cash deposits in the city of New York. But the foregoing provisions shall not apply to associations organized and located in the city of San Francisco for the purpose of issuing notes payable in gold. Each association organized within the cities named, shall select, subject to the approval of the Comptroller, an association in either of the cities named, at which it will redeem its circulating notes at par. The Comptroller shall give public notice of the names of the associations selected, at which redemptions are to be made by the respective associations, and of any change that may be made of the association at which the notes of any association are redeemed. Whenever any association fails either to make the selection or to redeem its notes as aforesaid, the Comptroller of the Currency may, upon receiving satisfactory evidence thereof, appoint a receiver in the manner provided for in section fifty-two hundred and thirty-four, to wind up its affairs. But this section shall not relieve any association from its liability to redeem its circulating notes at its own counter, at par, in lawful money on demand.

[*ACT OF JUNE 20, 1874.*]

SEC. 2. That section thirty-one of the "National bank act" be so amended that the several associations therein provided for shall not hereafter be required to keep on hand any amount of money whatever by reason of the amount of their respective circulations; but the moneys required by said section to be kept at all times on hand shall be determined by the amount of deposits in all respects, as provided for in the said section.

SEC. 3. That every association organized, or to be organized, under the provisions of the said act, and of the several acts amendatory thereof, shall at all times keep and have on deposit in the treasury of the United States, in lawful money of the United States, a sum equal to five per centum of its circulation, to be held and used for the redemption of such circulation; which sum shall be counted as a part of its lawful reserve, as provided in section two of this act.

REQUIREMENTS TO BECOME RESERVE CITIES.

[*ACT OF MARCH 3, 1887.*]

SEC. 1. That whenever three-fourths in number of the National banks located in any city of the United States having a population of fifty thousand people shall make application to the Comptroller of the Currency in writing, asking that the name of the city in which such banks are located shall be added to the cities named in sections fifty-one hundred and ninety-one and fifty-one hundred and ninety-two of the Revised Statutes, the Comptroller shall have authority to grant such a request, and every bank located in such city shall at all times thereafter have on hand, in lawful money of the United States, an amount equal to at least twenty-five per centum of its deposits, as provided in sections fifty-one hundred and ninety-one and fifty-one hundred and ninety-five of the Revised Statutes.

SEC. 2. That whenever three-fourths in number of the National banks located in any city of the United States having a population of two hundred thousand people shall make application to the Comptroller of the Currency in writing, asking that such city may be a central reserve city like the city of New York, in which one-half of the lawful money reserve of the National banks located in other reserve cities may be deposited, as provided in section fifty-one hundred and ninety-five of the Revised Statutes, the Comptroller shall have authority, with the approval of the Secretary of the Treasury, to grant such request, and every bank located in such city shall at all times thereafter have on hand, in lawful money of the United States, twenty-five per centum of its deposits, as provided in section fifty-one hundred and ninety-one of the Revised Statutes.

It will be seen that section 5191 names sixteen cities (to which the names of Kansas City, St. Joseph, Mo., and Omaha, Neb., have since

been added under the provisions of the act of March 3, 1887), each bank located in any one of which is required to have on hand at all times lawful money of the United States, equal at least to 25 per cent. of the aggregate amount of its circulation and deposits; and that each bank located elsewhere than in the cities named is required to have on hand lawful money at least equal to 15 per cent. of its aggregate circulation and deposits. We have thus at once banks of two classes, 25 per cent. banks and 15 per cent. banks.

That the words *on hand* in this section do not mean in the bank itself – in its own vault or till—may be seen from sections 5192 and 5195. Section 5192 provides that three-fifths of the reserve which 15 per cent. banks are required to keep may consist of balances, available for redemption of circulating notes, due to the association from National associations approved by the Comptroller of the Currency, located in any of the sixteen cities named, the other two-fifths being in bank. Section 5195 provides that 25 per cent. banks outside of New York may each keep one-half of their lawful reserve in a National bank approved by the Comptroller located in New York city. The provisions in the sections quoted having reference to the redemption of circulating notes of National banks at redemption agencies in New York and other reserve cities have been repealed by sections 1 and 2 of the act of June 20, 1874, quoted, leaving still in force the right to keep a certain portion of their required reserve with banks in those cities. Sections 1 and 2 of the Act mentioned also repeal all provisions requiring reserve on circulating notes, except in the case of gold banks.*

Instead of reserve on circulation, each National bank is required to keep at all times with the Treasurer of the United States, in lawful money, a sum equal to 5 per cent. of its circulation. This five per cent. fund is also permitted to be counted as a portion of the reserve on deposits. The 25 per cent. banks are divided into two classes: those in New York, Chicago and St. Louis and those in the other reserve cities.

In New York, Chicago and St. Louis the required reserve is 25 per cent. of deposits, all of which must be in bank.

In the other reserve cities the required reserve is also 25 per cent. of deposits, only one-half or 12½ per cent. of which need be kept in bank, the remaining 12½ per cent. can be deposited in New York with approved reserve agents.

Outside of New York, Chicago and St. Louis and the other reserve cities the reserve is 15 per cent. of deposits, two-fifths to be kept in bank and three-fifths in New York, or in any of the other reserve cities.

These various percentages must be computed on the aggregate deposits, that is, on all deposits which appear on the balanced statement of the bank. It is very doubtful whether National banks have

* Gold banks obsolete.

power either to take time deposits or to borrow money and create bills payable. At all events it is believed that whatever agreement may be made with a depositor or party from whom money is received on time, or borrowed, the bank would be obliged to pay on demand if the other parties did not choose to adhere to their agreement. For this reason all time deposits or bills payable reported by National banks are held to require a reserve the same as other deposits.

Deposits are divided, for the purposes of computing reserve, into two classes, viz.: Bank deposits—that is amounts due to banks—in one class, and all other deposits in the other. Certain deductions are allowed from the gross deposits. First, checks in exchanges can be deducted from deposits of any class; but, second, amounts due *from* banks can only be deducted from amounts due *to* banks, and this must be particularly noted.† In a bank belonging to or dealing through a Clearing-House, the Clearing-House exchanges are the only checks which can properly be deducted from deposits, but in a bank located where there is no Clearing-House it is allowable to reduce the deposits by checks on banks in same town or city. If banks desired to have checks on banks in same place allowed as a deduction, such checks must be separated in the schedule of checks and cash items on the back of the report.

RESERVE IN BANK.

The funds available for reserve in bank are comprised under the general term, lawful money, which has been held to mean gold and silver coin of the United States and legal-tender notes. By special Statute, Clearing-House Certificates are available for reserve (Section 5192, R. S.) In the same way are available United States gold and silver certificates (Section 12 of Act July 12, 1882) and United States certificates of deposit of legal-tender notes (Section 5193, Revised Statutes) and Treasury notes of the Act of July 14, 1890. There were formerly many other forms of certificates and Treasury notes available as reserve under various Statutes. These are, however, now obsolete. All the forms in which reserve may now be kept have been mentioned. Some of these obsolete forms were the compound interest notes, 7-30 notes, three per cent. certificates, etc.

RESERVE OUTSIDE OF BANK.

With the 15 per cent. banks an amount with an approved reserve agent in any reserve city equal to but not exceeding three-fifths of the total reserve required, is available for reserves. With 25 per cent. banks, not located in New York city, an amount with an approved reserve agent not exceeding one-half of the total reserve required, is available for reserve.

The 5 per cent. fund, to an amount not exceeding 5 per cent. of the circulation of the bank, is allowed to protect deposits. In the twenty-five per cent. banks it will protect 4 times, and in the fifteen per cent.

† The allowance of any deduction whatever is a ruling of the Comptroller's office.

banks 6 2-3 times its own amount of deposits. In all computations given hereafter allowance is made at these rates for this fund. No amount with the Treasurer of the United States in excess of 5 per cent. of circulation can count as reserve.

BLANK REPORT.

On page 474 is printed the form of blank sent to National banks by the Comptroller of the Currency, to enable them to make the reports required by law.

In this blank the items used in computing reserve have been distinguished in the printing. The items of deposits on the Cr. side have been printed in SMALL CAPITALS, as well as the items of deductions on the Dr. side. The items available for reserve have been printed in *italics*. An inspection of this blank will show, at a glance, all items upon which reserve is required, those which are allowed as deductions, and those which are treated as available for reserve, in the computations made in the office of the Comptroller of the Currency.

The computations divide themselves naturally into the three classes already indicated:

1ST.—Twenty-five per cent. banks in New York, Chicago and St. Louis, where all reserve, with the exception of the Five per cent. Redemption Fund, is kept in bank. Under this head but one example is necessary.

2D.—Twenty-five per cent. banks in other reserve cities. To illustrate the computation of reserve for this class of banks, four examples will be given.

3D.—Fifteen per cent. banks. The method of computing the reserves of banks of this class will also be illustrated by four examples.

Schedules relating to lawful money reserve which accompany the Report, as made up for the Comptroller of the Currency:

BALANCES DUE FROM OR TO APPROVED RESERVE AGENTS.

FROM—			*TO—*		
ENTER NAME AND LOCATION OF BANK.	Amount.		ENTER NAME AND LOCATION OF BANK.	Amount.	
CHECKS AND OTHER CASH ITEMS.					
CHECKS AND DRAFTS ON BANKS, &C. IN THIS CITY.					
CHECKS AND DRAFTS ON OTHER BANKS.....					

AVERAGE RESERVE AND INTEREST.

Average reserve for last 30 days (in bank and with reserve agents) was..... per cent. of deposits and bank balances.

The highest rate of interest paid by the bank on Deposits is.....per cent., on Money Borrowed is.....per cent.

BLANK REPORT sent to National Banks by the Comptroller of the Currency:

DR. RESOURCES.	Dols. Cts.	CR. LIABILITIES.	Dols. Cts.
1. Loans and discounts		1. Capital Stock paid in	
2. Overdrafts		2. Surplus Fund	
3. U. S. Bonds to secure circulation (par value)		3. Undivided Profits	
4. U. S. Bonds to secure deposits (par value)		4. Circulating Notes received from Comptroller $	
5. U. S. Bonds on hand (par value)		Less am't in hand and in Treasury for redemption $	
6. Other stocks, bonds and mortgages			
7. *Due from approved Reserve Agents*		5. State Bank Circulation outstanding	
8. DUE FROM OTHER NATIONAL BANKS			
9. DUE FROM STATE AND PRIVATE BANKS AND BANKERS		6. DIVIDENDS UNPAID	
10. Banking House $		7. INDIVIDUAL DEPOSITS SUBJECT TO CHECK $	
11. Other Real Estate $		8. DEMAND CERTIFICATES OF DEPOSIT $	
12. Furniture and Fixtures $		9. TIME CERTIFICATES OF DEPOSIT $	
		10. CERTIFIED CHECKS $	
13. Current Expenses and Taxes paid		11. CASHIER'S CHECKS OUTSTANDING $	
14. Premium paid:—			
On bonds for circulation $ Other prems $		12. UNITED STATES DEPOSITS	
		13. DEPOSITS OF U. S. DISBURSING OFFICERS	
15. Checks and other Cash Items			
16. EXCHANGES FOR CLEARING-HOUSE		14. DUE TO OTHER NATIONAL BANKS	
17. BILLS OF OTHER BANKS		15. DUE TO STATE AND PRIVATE BANKS AND BANKERS	
18. Fractional Paper-currency, Nickels and Cents			
19. *Specie, viz.:—Gold Coin* $		16. Notes and Bills re-discounted	
Gold Treasury Certificates $		17. BILLS PAYABLE	
Gold Clearing-House Cert's $			
Silver Coin $			
Silver Treasury Certificates $			
20. *Legal-Tender Notes*			
21. *U. S. Certificates of Deposit for Legal-Tender Notes*			
22. *Redemption Fund with U. S. Treasurer (not more than 5 per cent. on circulation)*			
23. Due from U. S. Treasurer (other than 5 per cent. Redemption Fund)			
Total		Total	

RESERVE OF NATIONAL BANKS LOCATED IN NEW YORK, CHICAGO AND ST. LOUIS.

There is very little intricacy in the method of determining the necessary reserve of these banks.

All that is necessary to be required must be kept in bank, or in the regular 5 per cent. redemption fund, and the difficulties arising from a division into reserve with reserve agents and reserve at home do not occur.

The rule is as follows:

RULE.—Deduct amounts due from banks from amounts due to the same, and also deduct exchanges for Clearing-House and bills of other National banks from all other deposits, add together the results of the subtractions and deduct from the sum four times the five per cent. redemption fund. Twenty-five per cent of the remainder is the required reserve which must all be in bank, in one of the forms of lawful money or certificates available for reserve, heretofore described. If amounts due from banks equal or exceed amounts due to the same, both amounts are omitted from the computation.

The figures, in Report No. 1 on page 476, represent the balance sheet of a bank in one of the three central reserve cities either the cities of New York, Chicago or St. Louis.

REPORT NO. 1.

The computation of the reserve for the state of facts shown in this statement is given below:

Dividends unpaid (item 6, Cr.)		$24,375	
Individual deposits (item 7, Cr.)		13,712,616	
Demand certificates of deposit (item 8, Cr.)		200,245	
Certified checks (item 10, Cr.)		544,344	
Cashier's checks outstanding (item 11, Cr.)		58,805	
		$14,540,385	
Deduct exchanges for C. H. (item 16, Dr.)	$1,904,173		
Deduct bills of National banks (item 17, Dr.)	179,000	2,083,173	
			$12,457,212
Due to banks and bankers (items 14-15, Cr.)		$2,601,054	
Deduct due from the same (items 8-9, Dr.)		1,625,788	975,266
Total deposits requiring reserve			$13,432,478
5 per cent. Redemption Fund (item 22, Dr.), $22,500, protects four times its own amount			90,000
Remainder			$13,521,478
25 per cent. of remainder equals reserve required, all of which must be in bank.			$3,335,619
The bank held—Specie (item 19, Dr.)		$3,697,886	
Legal-tender notes (item 20, Dr.)		489,925	4,187,811
Excess of reserve held			$852,192

It will be noticed that the amounts due to banks largely exceed the amounts due from the same. If this condition were reversed, and the amounts due from banks had been the larger, the only change in the computation would be to omit amounts due to and from banks

REPORT No. 1.

DR. RESOURCES.		Dols. Cts.
1. Loans and discounts		12,490,744 23
2. Overdrafts		13,874 38
3. U. S. Bonds to secure circulation (par value)		500,000 00
4. U. S. Bonds to secure deposits (par value)		.....
5. U. S. Bonds on hand (par value)		268,000 00
6. Other stocks, bonds and mortgages		249,495 06
7. *Due from approved Reserve Agents*		.....
8. DUE FROM OTHER NATIONAL BANKS		1,095,201 25
9. DUE FROM STATE AND PRIVATE BANKS AND BANKERS		530,586 70
10. Banking House	$.....	150,000 00
11. Other Real Estate	$.....	
12. Furniture and Fixtures	$.....	
		.....
13. Current Expenses and Taxes paid		157 75
14. Premium paid:—		
On bonds for circulation $..... Other prems $.....		.....
15. Checks and other Cash Items		140,298 67
16. EXCHANGES FOR CLEARING-HOUSE		1,904,173 50
17. BILLS OF NATIONAL BANKS		179,000 00
18. Fractional Paper-currency, Nickels and Cents		6,438 00
19. *Specie, viz.*:—*Gold Coin*	$1,666,129 05	
Gold Treasury Certificates	$1,200,000 00	
Gold Clearing-House Cert's	$ 743,000 00	
Silver Coin	$ 82,854 44	
Silver Treasury Certificates	$ 5,900 00	
		3,697,886 49
20. *Legal-Tender Notes*		489,995 00
21. *U. S. Certificates of Deposit for Legal-Tender Notes*		.....
22. *Redemption Fund with U.S. Treasurer (not more than 5 per cent. on circulation)*		22,500 00
23. Due from U. S. Treasurer (other than 5 per cent. Redemption Fund)		....
Total		$21,738,378 08

CR. LIABILITIES.			Dols. Cts.
1. Capital Stock paid in			3,000,000 00
2. Surplus Fund			300,000 00
3. Undivided Profits			835,950 87
4. Circulating Notes received from Comptroller		$450,000 00	
Less am't in hand and in Treasury for redemption		$.....	
			450,000 00
5. State Bank Circulation outstanding			10,887 00
6. DIVIDENDS UNPAID			24,375 00
7. INDIVIDUAL DEPOSITS SUBJECT TO CHECK		$13,712,616 57	
8. DEMAND CERTIFICATES OF DEPOSIT		$ 200,344 99	
9. TIME CERTIFICATES OF DEPOSIT		$.....	
10. CERTIFIED CHECKS		$ 544,344 86	
11. CASHIER'S CHECKS OUTSTANDING		$ 58,804 98	
			14,516,010 90
12. UNITED STATES DEPOSITS			.....
13. DEPOSITS OF U. S. DISBURSING OFFICERS			.....
14. DUE TO OTHER NATIONAL BANKS			2,020,994 61
15. DUE TO STATE AND PRIVATE BANKS AND BANKERS			580,059 65
16. Notes and Bills re-discounted			.....
17. BILLS PAYABLE			.....
Total			$21,738,378 08

altogether. The computation would then be like that shown in the following table:

Sum of deposits other than due to banks after deducting exchanges..	$12,457,212
5 per cent. Redemption Fund, $22,500, protects four times its amount	90,000
Remainder	$12,367,212
25 per cent. of remainder is reserve required	$3,091,803
Reserve held	4,187,811
Excess of reserve	$1,096,008

RESERVE OF NATIONAL BANKS LOCATED IN RESERVE CITIES OTHER THAN NEW YORK, CHICAGO AND ST. LOUIS.

It is only necessary to repeat that the total required reserve in these banks is 25 per cent. of net deposits. One-half of this 25 per cent. may be kept with approved reserve agents in the cities of New York, Chicago or St. Louis; the remaining half being required to be kept in bank.

The figures given in Report No. 2, on page 478, represent the balance sheet of a bank of this class, showing a deficiency both in the reserve at home and in that with reserve agents.

REPORT NO. 2.

The computation of reserve on these figures is as follows:

Dividends unpaid (item 6, Cr.)		$8	
Individual deposits (item 7, Cr.)		864,899	
Demand certificates of deposit (item 8, Cr.)		27,834	
Certified checks (item 10, Cr.)		24,379	
		$917,120	
Deduct exchanges (item 16, Dr.)	$37,314		
Deduct bills of National banks (item 17, Dr.)	3,663	40,977	
			$876,143
Amount due to banks and bankers (items 14-15, Cr.)		$874,055	
Deduct amounts due from same (items 8-9, Dr.)		71,738	802,317
Total amount reqiring reserve			$1,678,460
5 per cent. Redemption Fund (item 22, Dr.), $11,250, protects four times its own amount			45,000
Remainder requiring reserve			$1,633,460
25 per cent. of remainder is			408,365
One-half of which may be with reserve agents			$204,183
There was with reserve agents (item 7, Dr.)			186,757
Deficiency with reserve agents			$17,426
One-half must be in bank		$204,183	
There was in bank—Specie (item 19, Dr.)	$175,558		
Legal-tender notes (item 20, Dr.)	20,050	195,608	
Deficiency in bank			8,575
Total deficiency			$26,001

REPORT No. 2.

DR. RESOURCES.		Dols. Cts.
1. Loans and discounts		1,675,225 90
2. Overdrafts		140 63
3. U. S. Bonds to secure circulation (par value)		250,000 00
4. U. S. Bonds to secure deposits (par value)		.....
5. U. S. Bonds on hand (par value)		.....
6. Other stocks, bonds and mortgages		.....
7. *Due from approved Reserve Agents*		186,757 67
8. DUE FROM OTHER NATIONAL BANKS		66,488 09
9. DUE FROM STATE AND PRIVATE BANKS AND BANKERS		5,250 80
10. Banking House	$45,000 00	
11. Other Real Estate	$11,788 24	
12. Furniture and Fixtures	$.....	
		56,788 24
13. Current Expenses and Taxes paid		3,038 29
14. Premium paid:— On bonds for circulation $..... Other prems $.....		.....
15. Checks and other Cash Items		1,262 46
16. EXCHANGES FOR CLEARING-HOUSE		37,314 91
17. BILLS OF NATIONAL BANKS		3,663 00
18. Fractional Paper-currency, Nickels and Cents		47 89
19. *Specie, viz.:—Gold Coin*	$120,269 00	
Gold Treasury Certificates	$ 50,000 00	
Gold Clearing-House Cert's	$.....	
Silver Coin	$ 5,289 00	
Silver Treasury Certificates	$	
		175,558 00
20. *Legal-Tender Notes*		20,060 00
21. *U. S. Certificates of Deposit for Legal-Tender Notes*		.....
22. *Redemption Fund with U.S. Treasurer (not more than 5 per cent. on circulation)*		11,250 00
23. Due from U. S. Treasurer (other than 5 per cent. Redemption Fund)		.....
Total		$2,492,835 88

CR. LIABILITIES.		Dols. Cts.
1. Capital Stock paid in		250,000 00
2. Surplus Fund		175,000 00
3. Undivided Profits		53,658 91
4. Circulating Notes received from Comptroller	$225,000 00	
Less am't in hand and in Treasury for redemption	$ 2,000 00	
		223,000 00
5. State Bank Circulation outstanding		10,887 00
6. DIVIDENDS UNPAID		8 00
7. INDIVIDUAL DEPOSITS SUBJECT TO CHECK	$384,899 52	
8. DEMAND CERTIFICATES OF DEPOSIT	$ 27,834 53	
9. TIME CERTIFICATES OF DEPOSIT	$.....	
10. CERTIFIED CHECKS	$ 24,379 37	
11. CASHIER'S CHECKS OUTSTANDING	$.....	
		917,113 00
12. UNITED STATES DEPOSITS		.....
13. DEPOSITS OF U. S. DISBURSING OFFICERS		.....
14. DUE TO OTHER NATIONAL BANKS		655,017 62
15. DUE TO STATE AND PRIVATE BANKS AND BANKERS		219,087 93
16. Notes and Bills re-discounted		.....
17. BILLS PAYABLE		.....
Total		$2,492,835 88

The next balance sheet given is that of a bank in a reserve city (see Report No. 3, page 480) having an amount with reserve agents greater than one-half of the total reserve required, the home reserve being at the same time deficient. The object in this instance is to use as much of the balance with reserve agents as can be legally counted as reserve, and at the same time employ the excess, which cannot be counted as reserve, to offset and reduce bank deposits.

REPORT NO. 3.

It can be seen at a glance that this bank has amounts due to banks much greater than the amounts due from banks. A preliminary calculation will show that one-half of the reserve required on deposits is much less than the amount due from reserve agents. Thus roughly there are about $1,400,000 of deposits (items 6, 7, 8, 9, 11, 12, 14, 15, Cr.) after deducting due from banks and Clearing-House exchanges (items 8, 9 and 16, Dr.). One-half of 25 per cent. of this sum ($175,000) is all that can be counted as reserve with reserve agents, with which the bank has $210,000 (item 7, Dr.) or an excess of about $35,000. It can also be seen at a glance that this excess is not sufficient to offset the excess due to banks (items 14 and 15, Cr.) over amount due from banks (items 8 and 9, Dr.). It is under such circumstances that what is known as the two-sevenths rule applies. In order to understand the necessity for and application of this rule, as well as the principles on which it is based, it may be prefaced that it is a short method of arriving at true reserve which can only otherwise be determined by a long and tedious calculation. In order to easier understand the rule mentioned this longer method will first be given. The report shows the following items of deposits, etc.:

Dividends unpaid (item 6, Cr.)		$80	
Deposits (item 7, Cr.)		1,114,081	
U. S. Deposits (item 12, Cr.)		75,000	
		$1,189,161	
Deduct exchanges (item 16, Dr.)	$69,220		
Deduct bills of National banks (item 17, Dr.)	3,000	72,220	
			$1,116,941
The Five per cent. Fund ($11,250, item 22, Dr.), protects of above four times its own amount			45,000
Leaving			$1,071,941
Due to banks and bankers (items 14-15, Cr.)		$254,898	
Deduct due from same (items 8-9, Dr.)		63,589	191,309
Deposits requiring reserve			$1,263,250

Thus, after making deductions and allowing for 5 per cent. fund, there are still $1,263,250 deposits for which reserve must be held, of which $191,309 are bank deposits not covered or offset by amounts due from banks. Twenty-five per cent., or one-fourth of $1,263,250, is the total required reserve. One-half of the total reserve, equal to one-eighth of $1,263,250, can be counted as available for reserve in the hands of reserve agents. The remaining one-eighth must be in bank.

REPORT No. 3.

Dr. RESOURCES.		Dols. Cts.
1. Loans and discounts		563,890 30
2. Overdrafts		.....
3. U. S. Bonds to secure circulation (par value)		250,000 00
4. U. S. Bonds to secure deposits (par value)		100,000 00
5. U. S. Bonds on hand (par value)		.....
6. Other stocks, bonds and mortgages		636,320 00
7. *Due from approved Reserve Agents*		210,672 96
8. Due from other National Banks		63,589 57
9. Due from State and Private Banks and Bankers		.....
10. Banking House	$47,617 66	
11. Other Real Estate	$.....	
12. Furniture and Fixtures	$.....	
		47,617 66
13. Current Expenses and Taxes paid		3,887 81
14. Premium paid:—		
On bonds for circulation $..... Other prems $.....		.....
15. Checks and other Cash Items		9,878 67
16. Exchanges for Clearing-House		69,220 81
17. Bills of National Banks		3,000 00
18. Fractional Paper-currency, Nickels and Cents		177 19
19. *Specie, viz.*:—*Gold Coin*	$ 1,057 50	
Gold Treasury Certificates	$.....	
Gold Clearing-House Cert's	$105,000 00	
Silver Coin	$ 6,522 00	
Silver Treasury Certificates	$	
		112,579 50
20. *Legal-Tender Notes*		6,921 00
21. *U. S. Certificates of Deposit for Legal-Tender Notes*		5,000 00
22. *Redemption Fund with U. S. Treasurer (not more than 5 per cent. on circulation)*		11,250 00
23. Due from U. S. Treasurer (other than 5 per cent. Redemption Fund)		....
Total		$2,094,005 47

Cr. LIABILITIES.		Dols. Cts.
1. Capital Stock paid in		300,000 00
2. Surplus Fund		100,000 00
3. Undivided Profits		24,945 63
4. Circulating Notes received from Comptroller	$225,000 00	
Less am't in hand and in Treasury for redemption	$.....	
		225,000 00
5. State Bank Circulation outstanding		....
6. Dividends Unpaid		80 00
7. Individual Deposits subject to Check	$985,514 96	
8. Demand Certificates of Deposit	$ 11,032 59	
9. Time Certificates of Deposit	$121,765 84	
10. Certified Checks	$.....	
11. Cashier's Checks Outstanding	$ 15,768 86	
		1,114,081 75
12. United States Deposits		75,000 00
13. Deposits of U. S. Disbursing Officers		.....
14. Due to other National Banks		144,404 09
15. Due to State and Private Banks and Bankers		110,494 00
16. Notes and Bills re-discounted		....
17. Bills Payable		..... .
Total		$2,094,005 47

One-eighth of $1,263,250 is $157,906, and so much therefore of the sum in reserve agents' hands may now be assumed to be available for reserve.

The bank has, however, with reserve agents $210,672 (item 7, Dr.), or $52,766 more than can be counted as reserve. This excess may now be treated as simply due from banks, and deducted from amounts due to banks so long as such amounts exist to be offset. Making the deduction, the deposits requiring reserve are reduced from $1,263,250 to $1,210,484. Another difficulty now arises. It has been seen that a sum in the hands of reserve agents equal to *one-eighth* of the deposits can be counted as reserve. By the first assumption the deposits were placed at $1,263,250 and the *one-eighth* at $157,906. But the deposits have been reduced to $1,210,484, and the one-eighth available with reserve agents must consequently be reduced to $151,311. A further excess of $6,595 thus appears, which must also be deducted from deposits, reducing them still further and also reducing the amount with reserve agents which can be counted as available for reserve, thus leaving a still further excess to be again deducted, etc. After repeating this process several times a point will at length be reached when no further deduction is necessary. In this instance these repeated excesses and deductions are practically as follows. If accurately carried out without omitting fractions each excess would be just one-eighth of preceding one.

1st excess	$52,766		
2d excess	6,595		
3d excess	825		
4th excess	103		
5th excess	13		
6th excess	2		
Total amount to deduct	$60,304		
The deposits were		$1,263,250	
Deduct		60,304	
Leaving net deposits requiring reserve		$1,202,946	
Twenty-five per cent. of these deposits is which is total reserve required.			$300,736
One-half of the amount may be with reserve agent			150,368
There was with reserve agents (item 7, Dr.)		$210,672	
Of which we have used as deduction		60,304	
Leaving the required			$150,368
One-half of the total reserve must be in bank			$150,368
The bank held—Specie (item 19, Dr.)		$112,579	
Legal-tender notes (item 20, Dr.)		6,921	
U. S. Certificates for L. T. notes (item 21, Dr.)		5,000	$124,500
Deficiency in reserve in bank			$25,868

In order to avoid this long and tedious process the two-sevenths rule has been invented.

It has been seen that the $1,263,250 of deposits which formed the basis of the preceding computation contained a certain unknown

amount which was entitled to be offset by the excess with reserve agents. The amount so entitled to be offset was exactly the same as the excess with reserve agents. Calling this unknown amount X and it appears that the amount $1,263,250 equals eight-eighths of net deposits plus X, and also that the amount with reserve agents, viz.: $210,672, equals one-eighth of net deposits plus X; (for if X, not entitled to count as reserve, is taken away, there is left just what is entitled to count as reserve, viz: one half of 25 per cent. of, or one-eighth of net deposits.) Now, if from $1,263,250 is deducted $210,672, the remainder, $1,055,578, equals seven-eighths of the net deposits, for one-eighth plus X has been taken from eight-eighths plus X, leaving seven-eighths. Two-sevenths of seven-eighths of the net deposits is the same as 25 per cent. of the net deposits. Hence the two-sevenths rule:

RULE.—After making all the usual deductions, from the remaining deposits deduct the whole amount in the hands of reserve agents; two-sevenths of the remainder will be the total reserve, and one-seventh the home reserve required.

By this rule the computation of the reserve on bank statement previously given would be as follows:

Dividends unpaid (item 6, Cr.)	$80	
Deposits (item 7, Cr.)	1,114,081	
U. S. deposits (item 12, Cr.)	75,000	
	$1,189,161	
Deduct exchanges	$69,220	
Deduct bills of National banks	3,000	72,220
		$1,116,941
The Five per cent. Fund $11,250, (item 22, Dr.), protects four times its own amount		45,000
Leaving		$1,071,941
Due to banks and bankers (items 14-15, Cr.)	$254,898	
Due from banks and bankers (items 8-9, Dr.)	63,589	191,309
		$1,263,250
Deduct amount with reserve agents (item 7, Dr.)		210,672
Remainder		$1,052,578
Two-sevenths of remainder equal total reserve required		$300,736
One-half of which, $150,368, is protected by same amount with reserve agents.		
One-half is home reserve required		$150,368
The bank had in its vaults:		
Specie (item 19, Dr)	$112,579	
Legal-tender notes (item 20, Dr.)	6,921	
United States Certificates of Deposit for Legal-tender notes (item 21, Dr.)	5,000	124,500
Deficiency in home reserve		$25,868

The same result is thus obtained by both methods, but the two-sevenths rule does away with much labor. If the excess with reserve

agents had not been thus allowed the deficiency would have been $33,406.

When it is found that the excess with reserve agents and the amounts due from banks and bankers together equal or exceed the amounts due to banks and bankers it becomes necessary simply to throw out bank deposits altogether and proceed as if there were none. The following interesting report (see Report No. 4 on page 484) is a very intelligent example of this :

REPORT NO. 4.

A rough estimate will show at once that there are about $2,500,000 of deposits after deducting exchanges and bills of National banks, and that one-fourth, or twenty-five per cent. of this is $625,000, one-half of which is $312,500.

It will also readily be seen that there is at least $100,000 excess with reserve agents and $150,000 due from banks (items 8 and 9, Dr.) which, together, much more than offset the amounts (items 14 and 15, Cr.) due to banks. This excess due from banks cannot be offset against any other class of deposits, and is therefore useless to the bank for any purpose of reserve. The amounts due to banks having been wiped out by offset, the computation can be reckoned as follows:

Dividends unpaid (item 6, Cr.)	$405	
Individual deposits (item 7, Cr.)	2,572,469	
Demand Certificates of deposit (item 8, Cr.)	2,728	
Certified checks (item 10, Cr.)	4,859	
		$2,580,461
Deduct exchanges (item 16, Dr.)	$35,301	
Deduct bills of National banks (item 17, Dr.)	30,305	
		$65,606
Deposits requiring reserve		$2,514,855
Redemption Fund (item 22, Dr.), $13,497 50, will protect four times its amount		53,990
Remainder		$2,460,865
Twenty-five per cent. of remainder is required reserve		615,216
One-half of required reserve is $307,608, and is protected by an equal amount in hands of reserve agents (item 7, Dr.)		
One-half of required reserve must be in bank		307,608
Bank held—Specie (item 19, Dr.)	$85,200	
Legal-tender notes (item 20, Dr.)	15,000	
U. S. Certificates for Legal-tender notes (item 21, Dr.)	210,000	310,200
Excess in home reserve		$2,592

The previous deficiencies, when existing, have been in that portion of the reserve required to be kept in bank.

The following report (see Report No. 5 on page 485) shows a condition of things the reverse of this, where the largest portion of the reserve is in bank and the deficiency is in that portion which may be kept with reserve agents. It has been seen that no amount in the hands of

REPORT No. 4.

DR. RESOURCES.		Dols. Cts.
1. Loans and discounts		2,350,472 02
2. Overdrafts		221 30
3. U. S. Bonds to secure circulation (par value)		300,000 00
4. U. S. Bonds to secure deposits (par value)		.....
5. U. S. Bonds on hand (par value)		.....
6. Other stocks, bonds and mortgages		14,344 75
7. *Due from approved Reserve Agents*		449,949 44
8. DUE FROM OTHER NATIONAL BANKS		135,293 73
9. DUE FROM STATE AND PRIVATE BANKS AND BANKERS		15,733 03
10. Banking House	$50,000 00	
11. Other Real Estate	$.....	
12. Furniture and Fixtures	$.....	
		50,000 00
13. Current Expenses and Taxes paid		.....
14. Premium paid:— On bonds for circulation $40,000. Other prems $.....		40,000 00
15. Checks and other Cash Items		26,817 87
16. EXCHANGES FOR CLEARING-HOUSE		35,301 05
17. BILLS OF NATIONAL BANKS		30,305 00
18. Fractional Paper-currency, Nickels and Cents		496 64
19. *Specie, viz.*:—*Gold Coin*	$76,400 00	
Gold Treasury Certificates	$ 4,000 00	
Gold Clearing-House Cert's	$.....	
Silver Coin	$ 1,800 00	
Silver Treasury Certificates	$ 3,000 00	
		85,200 00
20. *Legal-Tender Notes*		15,000 00
21. *U. S. Certificates of Deposit for Legal-Tender Notes*		210,000 00
22. *Redemption Fund with U.S. Treasurer (not more than 5 per cent. on circulation)*		13,497 50
23. Due from U. S. Treasurer (other than 5 per cent. Redemption Fund)		.....
Total		$3,772,631 33

CR. LIABILITIES.			Dols. Cts.
1. Capital Stock paid in			300,000 00
2. Surplus Fund			450,000 00
3. Undivided Profits			18,256 90
4. Circulating Notes received from Comptroller		$270,000 00	
Less am't in hand and in Treasury for redemption		$ 50 00	
			269,950 00
5. State Bank Circulation outstanding			....
6. DIVIDENDS UNPAID			405 84
7. INDIVIDUAL DEPOSITS SUBJECT TO CHECK		$2,572,469 48	
8. DEMAND CERTIFICATES OF DEPOSIT		$ 2,723 29	
9. TIME CERTIFICATES OF DEPOSIT		$.....	
10. CERTIFIED CHECKS		$ 4,859 92	
11. CASHIER'S CHECKS OUTSTANDING		$.....	
			2,580,057 69
12. UNITED STATES DEPOSITS			....
13. DEPOSITS OF U. S. DISBURSING OFFICERS			.....
14. DUE TO OTHER NATIONAL BANKS			95,598 28
15. DUE TO STATE AND PRIVATE BANKS AND BANKERS			58,362 62
16. Notes and Bills re-discounted			.....
17. BILLS PAYABLE			.....
Total			$3,772,631 33

REPORT No. 5.

Dr. RESOURCES.		Dols. Cts.
1. Loans and discounts		2,709,955 88
2. Overdrafts		4,558 71
3. U. S. Bonds to secure circulation (par value)		600,000 00
4. U. S. Bonds to secure deposits (par value)		.....
5. U. S. Bonds on hand (par value)		.....
6. Other stocks, bonds and mortgages		.....
7. *Due from approved Reserve Agents*		150,883 50
8. Due from other National Banks		217,259 79
9. Due from State and Private Banks and Bankers		20,240 96
10. Banking House	$.....	
11. Other Real Estate	$.....	
12. Furniture and Fixtures	$3,000 00	
		3,000 00
13. Current Expenses and Taxes paid		16,842 07
14. Premium paid:— On bonds for circulation $26,000. Other prems $.....		26,000 00
15. Checks and other Cash Items		7,175 61
16. Exchanges for Clearing-House		280,858 76
17. Bills of National Banks		20,203 00
18. Fractional Paper-currency, Nickels and Cents		295 80
19. *Specie, viz.*:—*Gold Coin*	$12,038 00	
Gold Treasury Certificates	$35,000 00	
Gold Clearing-House Cert's	$.....	
Silver Coin	$10,800 00	
Silver Treasury Certificates	$	
		57,838 00
20. *Legal-Tender Notes*		162,882 00
21. *U. S. Certificates of Deposit for Legal-Tender Notes*		.....
22. *Redemption Fund with U. S. Treasurer (not more than 5 per cent. on circulation)*		26,995 00
23. Due from U. S. Treasurer (other than 5 per cent. Redemption Fund)		.....
Total		$3,364,989 10

Cr. LIABILITIES.		Dols. Cts.
1. Capital Stock paid in		600,000 00
2. Surplus Fund		100,000 00
3. Undivided Profits		29,266 65
4. Circulating Notes received from Comptroller	$540,000 00	
Less am't in hand and in Treasury for redemption	$.....	
		540,000 00
5. State Bank Circulation outstanding		.....
6. Dividends Unpaid		.....
7. Individual Deposits subject to Check	$1,689,939 22	
8. Demand Certificates of Deposit	$ 31,444 95	
9. Time Certificates of Deposit	$.....	
10. Certified Checks	$.....	
11. Cashier's Checks Outstanding	$ 134,169 49	
		1,855,553 66
12. United States Deposits		.....
13. Deposits of U. S. Disbursing Officers		.....
14. Due to other National Banks		236,318 36
15. Due to State and Private Banks and Bankers		3,850 43
16. Notes and Bills re-discounted		.....
17. Bills Payable		.....
Total		$3,364,989 10

reserve agents can directly make up for a deficiency in the home reserve.

An excess in home reserve can, on the contrary, always count, since if a bank sees fit, it can keep all its reserve in its own vaults.

REPORT NO. 5.

The following is the computation for the preceding report:

Individual deposits (item 7, Cr.)	$1,689,989	
Demand certificates of deposit (item 8, Cr.)	31,445	
Cashier's checks (item 11, Cr.)	134,169	
		$1,855,553
Deduct exchanges (item 16, Dr.)	$280,859	
Deduct bills of National banks (item 17, Dr.)	20,203	301,062
		$1,554,491
Amounts due to banks (items 14-15, Cr.)	$240,168	
Deduct due from banks (items 8-9, Dr.)	237,500	2,668
Total deposits		$1,557,159
Five per cent. Redemption Fund (item 22, Dr.), $26,995, protects four times its own amount		107,980
Remainder		$1,449,179
25 per cent of remainder is total reserve required		362,294
One-half of which must be in bank		181,147
There was in bank—Specie (item 19, Dr.)	$57,838	
Legal-tender notes (item 20, Dr.)	162,882	220,720
Excess in bank		39,573
One-half of total reserve may be with reserve agents		$181,147
There was with reserve agents (item 7, Dr.)		150,883
Deficiency with reserve agents		$30,264
Offset by excess at home as above		39,573
Net aggregate excess of reserve		$9,309

RESERVE OF BANKS OUTSIDE OF RESERVE CITIES, OR FIFTEEN PER CENT. BANKS.

The five computations that have heretofore been given in this chapter have been based on statements of banks located in reserve cities where the reserve required to be kept is 25 per cent. of the net deposits.

The banks located outside the reserve cities are required, as has already been stated in this summary, to keep a reserve of 15 per cent. only of net deposits, three-fifths in amount of which, at most, may be kept with reserve agents, and two-fifths of which, at least, must be kept in bank.

The computations of the reserves of the 15 per cent. banks are the same in principle, but the proportions are changed in accordance with the different requirements of law.

The following (see Report No. 6 on page 487) is the report of a 15

REPORT No. 6.

DR. RESOURCES.		Dols. Cts.
1. Loans and discounts		703,282 98
2. Overdrafts		.....
3. U. S. Bonds to secure circulation (par value)		275,000 00
4. U. S. Bonds to secure deposits (par value)		100,000 00
5. U. S. Bonds on hand (par value)		.....
6. Other stocks, bonds and mortgages		.....
7. *Due from approved Reserve Agents*		31,027 70
8. DUE FROM OTHER NATIONAL BANKS		14,053 85
9. DUE FROM STATE AND PRIVATE BANKS AND BANKERS		1,382 85
10. Banking House	$.....	
11. Other Real Estate	$.....	
12. Furniture and Fixtures	$.....	
13. Current Expenses and Taxes paid		.....
14. Premium paid:— On bonds for circulation $..... Other prems $.....		.....
15. Checks and other Cash Items		.....
16. EXCHANGES FOR CLEARING-HOUSE		4,799 36
17. BILLS OF NATIONAL BANKS		1,372 00
18. Fractional Paper-currency, Nickels and Cents		60 26
19. *Specie, viz.:—Gold Coin*	$19,100 00	
Gold Treasury Certificates	$.....	
Gold Clearing-House Cert's	$.....	
Silver Coin	$ 1,400 00	
Silver Treasury Certificates	$.....	
		20,500 00
20. *Legal-Tender Notes*		2,000 00
21. *U. S. Certificates of Deposit for Legal-Tender Notes*		.....
22. *Redemption Fund with U.S. Treasurer (not more than 5 per cent. on circulation)*		12,375 00
23. Due from U. S. Treasurer (other than 5 per cent. Redemption Fund)		.....
Total		$1,165,808 00

CR. LIABILITIES.			Dols. Cts.
1. Capital Stock paid in			300,000 00
2. Surplus Fund			60,000 00
3. Undivided Profits			71,337 16
4. Circulating Notes received from Comptroller	$247,500 00		
Less am't in hand and in Treasury for redemption	$ 10,060 00		
			237,440 00
5. State Bank Circulation outstanding			.....
6. DIVIDENDS UNPAID			.....
7. INDIVIDUAL DEPOSITS SUBJECT TO CHECK	$282,251 96		
8. DEMAND CERTIFICATES OF DEPOSIT	$ 4,065 00		
9. TIME CERTIFICATES OF DEPOSIT	$.....		
10. CERTIFIED CHECKS	$.....		
11. CASHIER'S CHECKS OUTSTANDING	$ 583 50		
			286,900 46
12. UNITED STATES DEPOSITS			65,519 59
13. DEPOSITS OF U. S. DISBURSING OFFICERS			.....
14. DUE TO OTHER NATIONAL BANKS			13,027 28
15. DUE TO STATE AND PRIVATE BANKS AND BANKERS			151,578 71
16. Notes and Bills re-discounted			.....
17. BILLS PAYABLE			.....
Total			$1,165,808 00

per cent. bank, which shows a deficiency both in home reserve and in that with reserve agents.

REPORT NO. 6.

The computation of reserve shown by this statement is as follows:

Dividends unpaid (item 6, Cr.)		$000	
Deposits, individual (item 7, Cr.)		262,251	
Demand certificates of deposit (item 8, Cr.)		4,065	
Cashier's checks (item 11, Cr.)		583	
United States deposits (item 12, Cr.)		65,519	
		$332,418	
Deduct exchanges (item 16, Dr.)	$4,799		
Deduct bills of National banks (item 17, Dr.)	1,372	6,171	
			$326,247
Five per cent. Redemption Fund (item 22, Dr.), $12,375, protects six and two-third times its own amount			82,500
Remainder			$243,747
Amounts due to banks (items 14-15, Cr.)		$164,605	
Amounts due from banks (items 8-9, Dr.)		15,385	$149,220
Total deposits requiring reserve			$392,967
Fifteen per cent. of above is total reserve required			58,945
Three-fifths of foregoing amount may be with reserve agents		$35,367	
The bank had with reserve agents (item 7, Dr.)		31,027	
Deficiency with reserve agents			$4,340
Two-fifths at least must be in bank		$23,578	
There was in bank—Specie (item 19, Dr.)	$20,500		
Legal-tender notes (item 20, Dr.)	2,000	22,500	
Deficiency in home reserve			1,078
Total deficiency			$5,418

The next statement (see Report No. 7 on page 489) shows, in the case of a 15 per cent. bank, the method of utilizing the excess in the hands of reserve agents as an offset against amounts due to banks. The method of doing this with banks in reserve cities has already been shown under the head of the two-sevenths rule. With 15 per cent. banks the principle is the same, but the legal proportions of reserve with reserve agents and in bank being different, a different rule is required.

RULE.—After all other deductions have been made, the whole amount with reserve agents is to be deducted, and fifteen ninety-firsts of the remainder (instead of two-sevenths, as in the case of 25 per cent. banks), is the total reserve required.

REPORT NO. 7.

In this report a rough estimate will show that the amounts due to banks exceed those due from the same by about $160,000. It can also be seen at once that the total deposits after deductions are made are about $760,000, 15 per cent. of which, being the total reserve required, is about $114,000, and that three-fifths of the latter sum is about $69,000. From this it appears that there being $128,063 with

REPORT No. 7.

Dr. RESOURCES.		Dols. Cts.
1. Loans and discounts		877,613 42
2. Overdrafts		786 55
3. U. S. Bonds to secure circulation (par value)		100,000 00
4. U. S. Bonds to secure deposits (par value)		.....
5. U. S. Bonds on hand (par value)		1,000 00
6. Other stocks, bonds and mortgages		6,583 46
7. *Due from approved Reserve Agents*		128,063 18
8. Due from other National Banks		31,235 85
9. Due from State and Private Banks and Bankers		8,267 54
10. Banking House	$.....	
11. Other Real Estate	$9,906 25	
12. Furniture and Fixtures	$.....	
		9,906 25
13. Current Expenses and Taxes paid		4,092 66
14. Premium paid:— On bonds for circulation $1,324 25. Other prems	$.....	1,324 25
15. Checks and other Cash Items		2,979 08
16. Exchanges for Clearing-House		15,327 19
17. Bills of National Banks		4,000 00
18. Fractional Paper-currency, Nickels and Cents		6 47
19. *Specie, viz.*:—*Gold Coin*	$3,030 00	
Gold Treasury Certificates	$.....	
Gold Clearing-House Cert's	$.....	
Silver Coin	$3,213 00	
Silver Treasury Certificates	$.....	
		6,243 00
20. *Legal-Tender Notes*		17,000 00
21. *U. S. Certificates of Deposit for Legal-Tender Notes*		.....
22. *Redemption Fund with U.S. Treasurer (not more than 5 per cent. on circulation)*		4,499 40
23. Due from U. S. Treasurer (other than 5 per cent. Redemption Fund)		.....
Total		$1,218,987 80

Cr. LIABILITIES.		Dols. Cts.
1. Capital Stock paid in		250,000 00
2. Surplus Fund		35,000 00
3. Undivided Profits		16,890 43
4. Circulating Notes received from Comptroller	$ 90,000 00	
Less am't in hand and in Treasury for redemption	$.....	
		90,000 00
5. State Bank Circulation outstanding		.....
6. Dividends Unpaid		.....
7. Individual deposits subject to Check	$602,580 52	
8. Demand Certificates of Deposit	$ 16,632 33	
9. Time Certificates of Deposit	$.....	
10. Certified Checks	$.....	
11. Cashier's Checks Outstanding	$.....	
		619,212 85
12. United States Deposits		.....
13. Deposits of U. S. Disbursing Officers		.....
14. Due to other National Banks		3,686 50
15. Due to State and Private Banks and Bankers		204,147 52
16. Notes and Bills re-discounted		.....
17. Bills Payable		.....
Total		$1,218,987 80

reserve agents, there is at first sight an excess with these agents of about $59,000, which can be deducted from the amount due to banks. To do this in the ordinary way would require repeated calculations and deductions, as has already been seen when explaining the two-sevenths rule. Avoiding this, the result can be obtained at once by following the rule last given.

Individual deposits (item 7, Cr.)	$602,580	
Demand certificates of deposit (item 8, Cr.)	16,632	$619,212
Deduct exchanges	15,327	
Deduct bills of National banks	4,009	19,336
		$599,876
The five per cent. Redemption Fund ($4,499.40, item 22, Dr.), will protect 6 and two-thirds times its own amount		29,996
Leaving		$569,880
Due to banks and bankers (items 14-15, Cr.)	$207,833	
Less due from banks and bankers (items 8-9, Dr.)	39,502	168,331
		$738,211
Deduct full amount in hands of reserve agents (item 7, Dr.)		128,063
Remainder		$610,148
Fifteen-ninety-firsts of remainder is the required reserve		$100,570
Three-fifths of required reserve may be with reserve agents (and is protected by equal amount in hands of such agents.)		60,342
Two-fifths of required reserve, at least, must be in bank		$40,228
The bank held—Specie (item 19, Dr.)	$6,243	
Legal-tender notes (item 20, Dr.)	17,000	23,243
Deficiency in home reserve		$16,985

This method for 15 per cent. banks gives, as does the two-sevenths rule for 25 per cent. banks, the largest possible deduction for bank balances and makes the required reserve as small as possible.

As in the case of the 25 per cent. banks, so with the 15 per cent. banks, when it is evident that amounts due from banks, together with the excess with reserve agents, are equal to or exceed the amounts due *to* banks, the latter amounts are omitted from the computation, and any excess due *from* banks or reserve agents ceases to be of any avail to reduce the required reserve. The following statement illustrates this:

In demonstrating the two-sevenths rule it was assumed that deposits were eight-eighths of net deposits plus X, and that fund with reserve agents was one-eighth of net deposits plus X, and by taking one from the other, seven-eighths of net deposits were left. So, with the fifteen ninety-firsts rule it is found that gross deposits are one hundred one-hundredths of net deposits plus X, and that amount with reserve agents is three-fifths of fifteen one-hundredths, or nine one-hundredths of net deposits plus X. Deducting one from the other leaves ninety-one one-hundredths of net deposits; and fifteen ninety-firsts of ninety-one one-hundredths is the same as 15 per cent. of one-hundred one-hundredths of the net deposits.

REPORT No. 8.

Dr. RESOURCES.		Dols. Cts.
1. Loans and discounts		343,509 19
2. Overdrafts		241 35
3. U. S. Bonds to secure circulation (par value)		150,000 00
4. U. S. Bonds to secure deposits (par value)		.....
5. U. S. Bonds on hand (par value)		.....
6. Other stocks, bonds and mortgages		.....
7. *Due from approved Reserve Agents*		44,509 07
8. Due from other National Banks		1,084 38
9. Due from State and Private Banks and Bankers		.....
10. Banking House	$17,000 00	
11. Other Real Estate	$.....	
12. Furniture and Fixtures	$.....	
		17,000 00
13. Current Expenses and Taxes paid		.....
14. Premium paid:— On bonds for circulation $1,969 83. Other prems $.....		1,969 83
15. Checks and other Cash Items		*1,373 64
16. Exchanges for Clearing-House		.....
17. Bills of National Banks		2,955 00
18. Fractional Paper currency, Nickels and Cents		319 91
19. *Specie, viz.*:—*Gold Coin*	$ 417 50	
Gold Treasury Certificates	$.....	
Gold Clearing-House Cert's	$.....	
Silver Coin	$1,053 50	
Silver Treasury Certificates	$.....	
		1,471 00
20. *Legal-Tender Notes*		5,000 00
21. *U. S. Certificates of Deposit for Legal-Tender Notes*		.....
22. *Redemption Fund with U.S. Treasurer (not more than 5 per cent. on circulation)*		3,750 00
23. Due from U. S. Treasurer (other than 5 per cent. Redemption Fund)		.....
Total		$573,133 37

Cr. LIABILITIES.		Dols. Cts.
1. Capital Stock paid in		150,000 00
2. Surplus Fund		50,000 00
3. Undivided Profits		17,977 86
4. Circulating Notes received from Comptroller	$135,000 00	
Less am't in hand and in Treasury for redemption	$ 3,000 000	
		132,000 00
5. State Bank Circulation outstanding		.....
6. Dividends Unpaid		.....
7. Individual Deposits subject to Check	$170,604 59	
8. Demand Certificates of Deposit	$ 10,736 15	
9. Time Certificates of Deposit	$.....	
10. Certified Checks	$.....	
11. Cashier's Checks Outstanding	$.....	
		181,340 74
12. United States Deposits		.....
13. Deposits of U. S. Disbursing Officers		.....
14. Due to other National Banks		6,751 27
15. Due to State and Private Banks and Bankers		.....
16. Notes and Bills re-discounted		35,000 00
17. Bills Payable		.....
Total		$573,133 37

* Checks on banks in same place.

REPORT NO. 8.

The deposits roughly estimated are about $187,000, three-fifths of 15 per cent. of which, or 9 per cent., is $16,830, showing that in the $44,509 with reserve agents (item 7, Dr.), there is an excess of about $28,000, which completely offsets the small balance due to banks. The computation will then be as follows:

Dividends unpaid	$64	
Individual deposits (item 7, Cr.)	170,604	
Demand certificates of deposit (item 8, Cr.)	10,736	$181,404
Deduct checks on banks in same town	$1,373	
Deduct bills of National banks	2,955	$4,328
		$177,076
The five per cent. Redemption Fund will protect 6 and two-thirds its own amount		25,000
Remainder		$152,076
15 per cent. of remainder is required reserve		22,811
Three-fifths of required reserve may be with reserve agent, $13,687, and is protected by equal amount in hands of such agent.		
At least two-fifths of required reserve must be in bank		$9,125
There was in bank—Specie (item 19, Dr.)	$1,471	
Legal-tender notes (item 20, Dr.)	5,000	6,471
Deficiency in home reserve		$2,654

REPORT NO. 9.

The next statement (See No. 9 on page 493) is that of a 15 per cent. bank with the largest part of the reserve at home, not having with reserve agents the full three-fifths of the total reserve which it is legally permitted to keep there. There is no deficiency, however, as the computation hereafter given will show. This statement also shows bills payable, upon which, as has been said, a reserve is required.

Dividends unpaid (item 6, Cr.)	$460	
Individual deposits (item 7, Cr.)	191,359	
Cashier's checks (item 11, Cr.)	2,643	
Bills payable (item 17, Cr.)	20,000	
		$214,462
Deduct bills of National banks		1,320
		$213,142
Five per cent. Redemption Fund will protect 6 and two-thirds its amount,		60,000
Remainder		$153,142
No bank deposits.		
15 per cent. of above is total reserve required		22,971
Three-fifths of total reserve may be with reserve agents	$13,783	
There was with reserve agents (item 7, Dr.)	10,173	
Deficiency with agents		3,610
Two-fifths of total reserve, at least, must be in bank		$9,188
There was in bank—Specie (item 19, Dr.)	$1,784	
Legal-tender notes (item 20, Dr.)	12,690	14,474
Excess at home		$5,286
Deficiency with reserve agents		3,610
Excess in total reserve		$1,676

REPORT No. 9.

Dr. RESOURCES.		Dols. Cts.
1. Loans and discounts		400,483 88
2. Overdrafts		89 75
3. U. S. Bonds to secure circulation (par value)		200,000 00
4. U. S. Bonds to secure deposits (par value)		.....
5. U. S. Bonds on hand (par value)		.....
6. Other stocks, bonds and mortgages		7,000 00
7. *Due from approved Reserve Agents*		10,172 11
8. Due from other National Banks		.....
9. Due from State and Private Banks and Bankers		.....
10. Banking House	$.....	
11. Other Real Estate	$.....	
12. Furniture and Fixtures	$1,000 00	
		1,000 00
13. Current Expenses and Taxes paid		1,980 49
14. Premium paid:— On bonds for circulation $34,000 00. Other prems $....		34,000 00
15. Checks and other Cash Items		497 84
16. Exchanges for Clearing-House		.....
17. Bills of National Banks		1,320 00
18. Fractional Paper currency, Nickels and Cents		100 52
19. *Specie, viz.*:—*Gold Coin*	$1,582 50	
Gold Treasury Certificates	$.....	
Gold Clearing-House Cert's	$.....	
Silver Coin	$ 201 50	
Silver Treasury Certificates	$.....	
		1,784 00
20. *Legal-Tender Notes*		12,690 00
21. *U. S. Certificates of Deposit for Legal-Tender Notes*		.....
22. *Redemption Fund with U.S. Treasurer (not more than 5 per cent. on circulation)*		9,000 00
23. Due from U. S. Treasurer (other than 5 per cent. Redemption Fund)		....
Total		$679,118 59

Cr. LIABILITIES.		Dols. Cts.
1. Capital Stock paid in		200,000 00
2. Surplus Fund		50,000 00
3. Undivided Profits		8,653 37
4. Circulating Notes received from Comptroller	$180,000 00	
Less am't in hand and in Treasury for redemption	$ 150 00	
		179,850 00
5. State Bank Circulation outstanding		....
6. Dividends Unpaid		460 00
7. Individual Deposits subject to Check	$191,359 26	
8. Demand Certificates of Deposit	$.....	
9. Time Certificates of Deposit	$.....	
10. Certified Checks	$.....	
11. Cashier's Checks outstanding	$ 2,643 27	
		194,002 53
12. United States Deposits		.....
13. Deposits of U. S. Disbursing Officers		.....
14. Due to other National Banks		....
15. Due to State and Private Banks and Bankers		.. ..
16. Notes and Bills re-discounted		26,152 69
17. Bills Payable		20,000 00
Total		$679,118 59

The examples given include all the cases that can arise either in 25 per cent. or 15 per cent. banks. The figures will vary, but if the principles laid down are followed every possible case can readily be worked out.

AVERAGE RESERVE.

The average reserve for any given period may be obtained by computing by the methods heretofore shown, the net deposits requiring reserve for each day in that period, and adding the results together for a divisor. In the same way the reserves held on the same days should be added together for a dividend. The quotient will be the percentage of average reserve for the period.

FIFTEEN PER CENT. BANKS IN RESERVE CITIES.

There are two or three instances of banks now located in reserve cities which are only required to keep a total reserve of 15 per cent. This anomaly arises from the fact that when these banks were organized they were situated in a suburb which has since been absorbed by the growing city. Thus Birmingham was taken into Pittsburgh, Pa. The National bank in Birmingham, organized there before that town became a part of Pittsburgh, still retains, under a decision of the Attorney-General of the United States, the exact status it had at organization, and will retain it until its charter expires. Among other rights retained is that of keeping a reserve of 15 per cent. only. In the same situation are banks in Dorchester, Roxbury and Charlestown, now parts of Boston, Mass., and in Georgetown, now part of Washington, D.C.

APPROVED RESERVE AGENTS.

Any bank situated outside of the reserve cities can select any National bank within any of such cities as a depositary for its funds, and such funds so deposited are, when the selection is approved by the Comptroller, allowed to be counted as a part of the required reserve of the depositing bank. In the same way banks in reserve cities can select for approval banks in New York, Chicago or St. Louis. The bank making the selection writes to the Comptroller of the Currency, and asks his approval of the chosen bank. The approval is usually given, and the necessary entries made in the books of the Comptroller's office. The bank is advised that the selection is approved, and thenceforth all balances due from this approved bank are counted as available for reserve under the law.

Richmond and Charleston, although named in Section 5192 among the cities, wherein 15 per cent. banks are permitted to deposit three-fifths of their reserves, are not named in Section 5191, among the cities, wherein banks are required to keep the larger reserve of 25 per cent.—this larger reserve being principally required because of the greater responsibility incurred by receiving the deposit of bank reserves. For this reason no banks located in Richmond or Charleston have ever been approved as reserve agents by the Comptroller.

NOTE.—A *fac-simile* of the Report Blank sent to National banks is shown elsewhere in this volume. See Appendix.

CHAPTER XXX.

*A CHAPTER ON SIGNATURES.

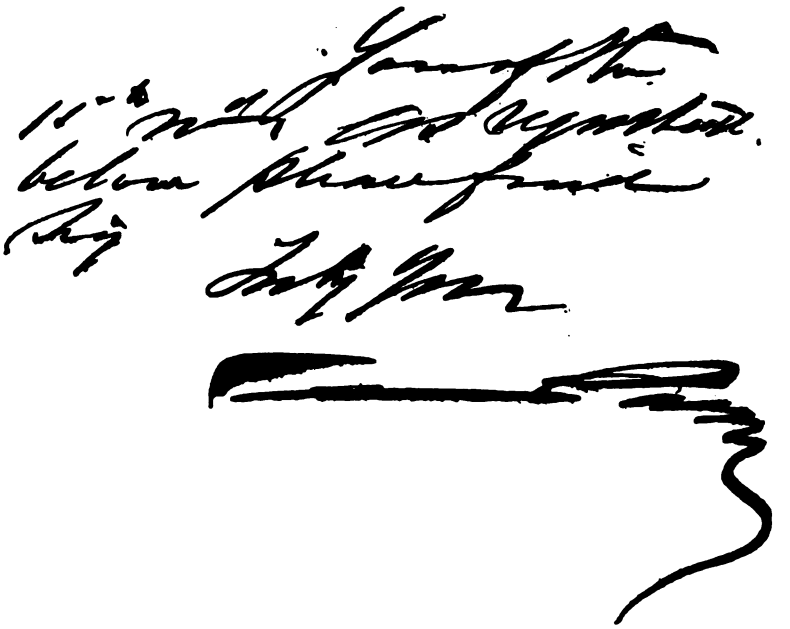
In the regular course of business bankers sometimes come across very queer signatures. The question is sometimes asked—"What's in a name?" and, judging from the way some bank officials write their names there is a good deal in it in the way of bother before they can be made out. For instance, here is the way the Cashier of a National bank in Kansas signs:

His name is W. P. Hazen. Several years ago a premium of a year's subscription to RHODES' JOURNAL OF BANKING was offered to any one who would read the signature and out of several hundred guesses received not more than twenty-five were correct.

The Pacific slope contributes the following remarkable signature which is that of C. W. Bush, Cashier of a California bank:

*The signatures in this chapter are all photographed from the originals.

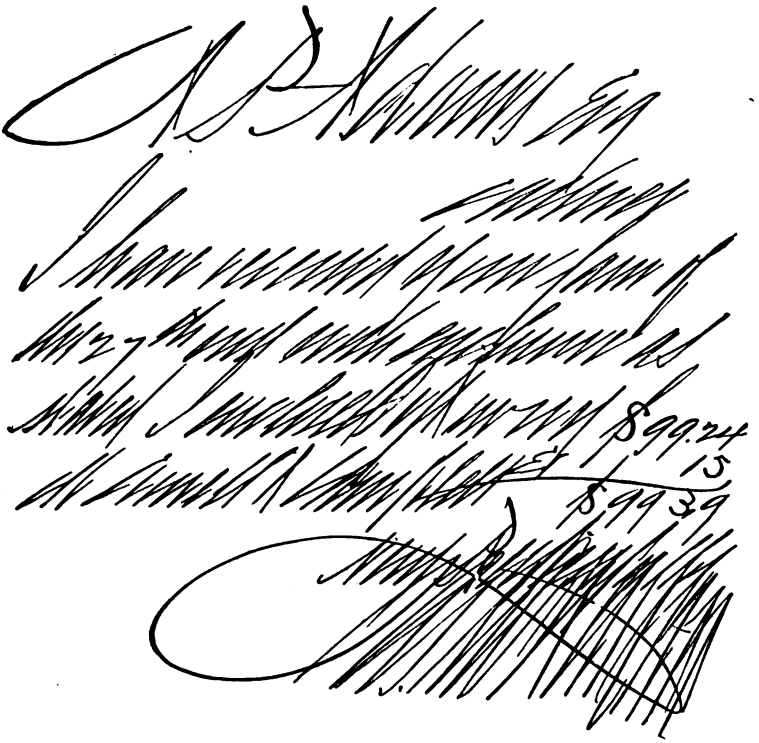
It hardly seems possible that the following signature is that of Carmon Parse, Cashier of a bank in New Jersey, but that is the way he writes it:



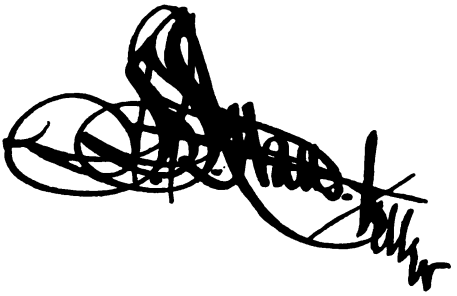
A well-known National bank Cashier in Michigan writes his name as below, and calls it E. Newell:

Below is the signature of Hugh Harbison, Treasurer of a manufacturing company in Connecticut. It ranks high as a curiosity in penmanship. Many a bank officer has puzzled his weary brain over it:

The following specimen is given not so much for illegibility (although the signature would be puzzling to those not familiar with it) as it is to show another style of penmanship adopted by some bankers. In the original the form below fills the entire page of a letter sheet (reduced to this size by photo-engraving process) and was one used by the writer in remitting for collections. The signature is that of Jas. V. D. Westfall, formerly a private banker in Western New York:



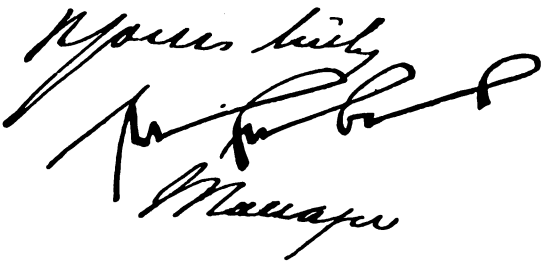
This is the way F. S. Watts, Teller of an Iowa bank makes his signature. It is characteristic yet fairly legible:



When it comes to constructing a very unique signature, F. C. Miller, the Cashier of a Kansas bank, does it in this remarkable style:

Below is the signature of John Mohr, Jr., Cashier of a bank in Indiana:

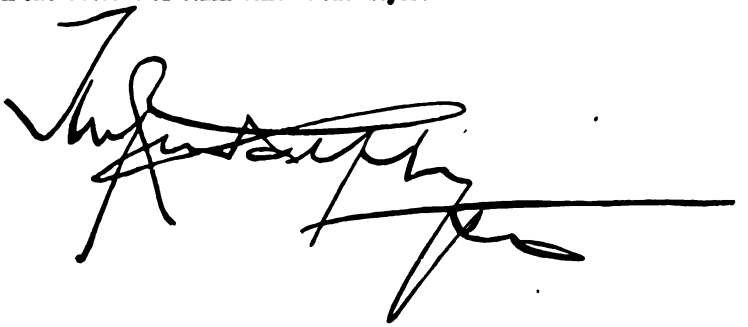
Here is the signature of R. J. B. Crombie, Manager of a Canadian bank:



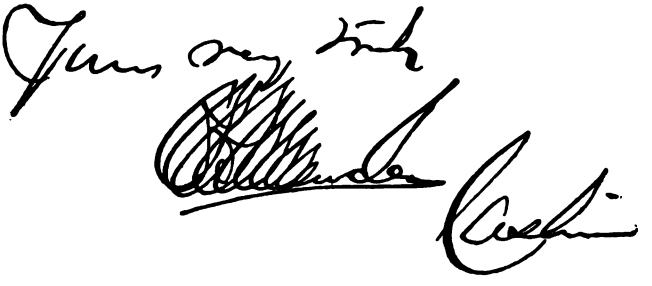
The following peculiar composition stands for the name of Lloyd Bowers, Cashier of an Arkansas National bank:

No one could possibly tell whether the following was a man's name or a Chinese puzzle, but it is the way H. G. Nolton, formerly Vice-President of a New York State bank, signed his letters:

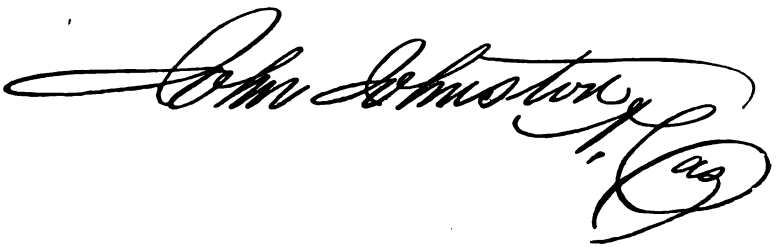
Tom Randolph, President of a Texas National bank, puts his name on the bottom of bank bills in this style:



It is very doubtful if the average bank clerk could make the following cob-web read W. D. Mussenden, but that is how the Cashier of a down-east bank writes it:



By way of contrast the signature of John Johnston, Cashier of the Wisconsin Marine & Fire Insurance Co. Bank of Milwaukee, is given. As an example of a strong, legible signature, it is an excellent model. Experts claim that a plain signature baffles the forger more than one difficult to decipher. The signature is that of Mr. Johnston when he was Assistant Cashier. Since the death of Alexander Mitchell, former President, he has been the Cashier:



, and location of bank should be placed on all papers sent to the Department.

CERTIFICATES OF DEPOSIT RE

To whom issued.	Address.
TOTAL (include in item 19, liabilities)	

LOANS Exceeding the Limit Prescribed by Section 5200 of the Re State, Private Banks and Bankers, Trust Companies, and

Name of borrower.	Enter full amount of loan.		
J. B. Robinson	59	000	—
Smith and Whipple	54	500	—
City Street Railway	46	400	—

From—

BALANCES DUE FROM OR TO

Enter name and location of bank.	Amount.		
10th Nat'l Bank New York.	47	936	1
Gage " " Chicago Ills.	25	063	7
— " " Phila Pa.	70	862	8
6th " " Cincinnati O.	28	481	6
Chase " " New York.	93	581	9
TOTAL (item 12, resources)	265	926	3

LIABILITIES OF OFFI

Names of Officers and Directors.	Official Title.	Liabilit
	President	

PRESENTING MONEY BORROWED.

	Amount on demand.				Amount on time.				Rate of interest.
Stock									

rised Statutes, including Amounts which Exceed this Limit due from Savings Banks. Overdrafts, if any, to be classed with Loans.

	Name of borrower.	Enter full amount of loan.		

APPROVED RESERVE AGENTS. To—

	Enter name and location of bank.	Amount.		
7	First Nat'l Bank New York	6	088	51
2	Third " " Cin O	1	675	93
7	Tradesmens " " Chicago	5	914	97
3	Commercial " " Boston Mass		671	09
1			0	
			0	
			0	
			0	
			0	
			0	
1	TOTAL (item 9, liabilities)	14	350	50

CERS AND DIRECTORS.

(individual or firm) as Payers.	Liability (individual or firm) as Indorsers or Guarantors.	Overdrafts.	No. of Shares Stock Owned.
	119 006 08		747

APPENDIX.

1. Form of Skeleton Ledger; or, Depositors' Daily Balance Book.
2. Fac-simile of blank on which National Banks report to the Comptroller of the Currency.

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